Annual Report 2007

Crescent Steel &
Allied Products Ltd.

The oceans provide us most of the oxygen we need to breathe; they are reservoirs for soaking up almost half of the globe's gaseous carbon pollutants and a food source that can be managed to help feed the world; they make up our weather, and are an essential part of the global economy.

Pollution in the ocean is a major problem that is affecting the ocean and the rest of the Earth, too. It directly affects ocean organisms and indirectly affects human health and resources. Oil spills, toxic wastes, oxygen depletion, ocean acidification, ship pollution, and dumping of other harmful materials are all major sources of pollution in the ocean.

It is very important that we address the issues that affect the ocean. We should learn more about how to stop pollution because that is the only way we can make the Earth a healthier place to live in.

Mission, Vision, Values

To add value to shareholders and the economy by giving the best returns and reinvest sensibly in products and markets we compete in.

To gain and maintain cost and quality leadership in the international competitive environment, as world class manufacturers.

To promote best use and development of human talent in a safe enviroment; as an equal opportunity employer.

To conduct business as a responsible corporate citizen, and take constructive interest in supporting education and environmental causes.

Crescent Steel &
Allied Products Ltd.

Contents

Crescent Steel &
Allied Products Ltd.

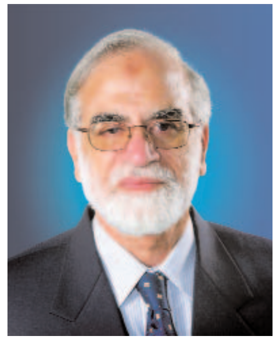
Company Information

Mazhar Karim

CSAPL conducts its business in responsible manner and with honesty and integrity. CSAPL does not use bribe as a instrument for any business or financial gain.

Ahsan M. Saleem

The board has a fiduciary responsibility for the proper direction and control of the activities of the company.



Javed A. Callea

The board has adopted a code of conduct for its members, executives and staff.

Javed Iqbal

The board has constituted an audit committee and a human resource committee to review and improve the current human resource architecture.

BOARD OF DIRECTORS	
Non-Executive Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
Non-Executive Director	Javed A. Callea
Non-Executive Director	Javed Iqbal
Non-Executive Director	Mohammad Anwar
Non-Executive Director	Nasir Shafi
Finance Director & CFO	S.M. Ehtishamullah
Non-Executive Director	Zahid Bashir
COMPANY SECRETARY	Mohammad Amin
AUDIT COMMITTEE	
Chairman	Javed A. Callea
	Javed Iqbal
	Nasir Shafi
Head of Internal Audit	Ford, Rhodes, Sidat, Hyder & Co. (Sarjeel Jamil Ahmed- Engagement Partner)
HUMAN RESOURCE COMMITTEE	
Chairman	Ahsan M. Saleem
	Javed Iqbal
	Nasir Shafi

Mohammad Anwar

Our primary purpose is to run our business efficiently and profitably to enhance shareholders' value but we do it with responsibilities to all stakeholders.

Nasir Shafi

We are increasingly conscious of the role we have to play as responsible corporate citizens in fulfilling a wide variety of community needs.

S.M. Ehtishamullah

We are committed to actively managing health and safety risks associated with our business.

Zahid Bashir

The board aims to ensure that shareholders are informed of all major development affecting the Company's state of affairs.

THE MANAGEMENT

Chief Executive and Managing Director
Ahsan M. Saleem, 54
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 75
1984*

Finance Director & CFO
S.M. Ehtishamullah, 68
1996*

Commercial Director / Head of Buying
S.A.N. Kazmi, 65
1986*

BU Head Cotton Division
Abdul Rouf, 48
2000*

Chief Information Officer
Shakeel Akhtar, 43
2006*

Sr. Vice President (Finance & Control)
M. Saad Thaniana, 39
2007*

Head of Marketing Steel Division
Arif Raza, 46
1985*

Head of Manufacturing Steel Division
Mushtaque Ahmed, 46
1985*

* *Year joined Company*

EXECUTIVE COMMITTEE
Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi

BUSINESS STRATEGY COMMITTEE
Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi
Abdul Rouf

SYSTEM AND TECHNOLOGY COMMITTEE
Ahsan M. Saleem
M. Saad Thaniana
Shahid H. Mir
Shakeel Akhtar

INVESTMENT COMMITTEE
Ahsan M. Saleem
S.M. Ehtishamullah
M. Saad Thaniana

Shareholders' Information

Stock Exchange Listing

Crescent Steel and Allied Products Limited is a listed Company and its shares are traded on all the three stock exchanges of Pakistan.

The Company's share is quoted in leading dailies under the Engineering Sector.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Mohammad Yamin at the Company's Principal Office, Karachi. Telephone: 021-5674881-5
E.mail: mohammad.yamin@crescent.com.pk

Shareholders Information

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to the Shareholder Services Department at the Registered Office at Lahore.
Telephone: 042-5783828-32   Fax: 042-5875916

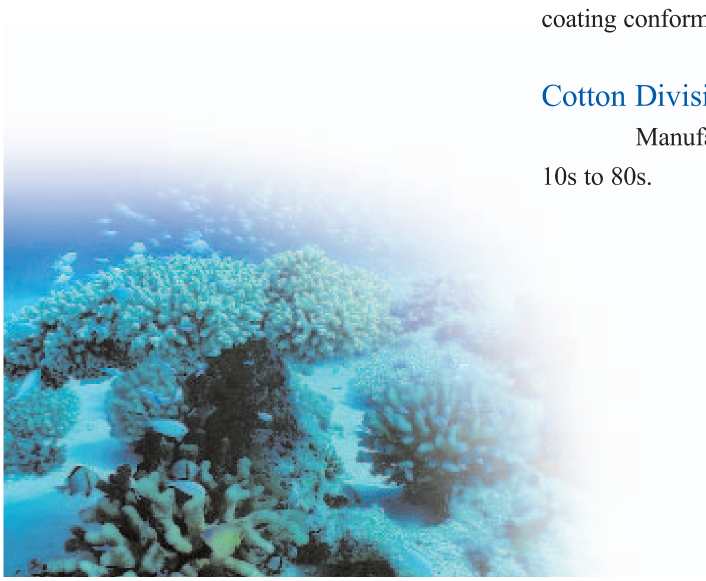
Products

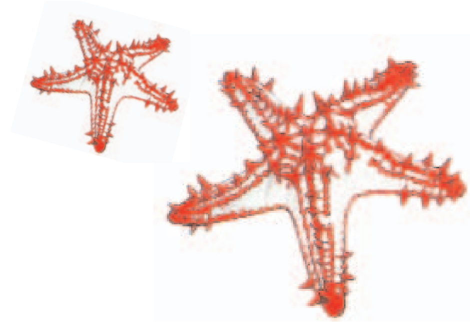
Steel Division

Manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyolefin coating conforming to international standards.

Cotton Division

Manufacturer of quality cotton yarn of various counts of 10s to 80s.





Annual Meeting
The 23rd Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Friday, 31 August 2007 at 3:00 p.m. at Qasr-e-Noor, 9E-2, Main Boulevard, Gulberg-III, Lahore.

Auditors
KPMG Taseer Hadi & Co.

Legal Advisor
Hassan & Hassan, Advocates, Lahore

Bankers
Standard Chartered Bank (Pakistan) Limited
MCB Bank Limited
Allied Bank Limited
Meezan Bank Limited

Registered Office
Crescent Standard Tower,
10-B, Block E-2, Main Boulevard,
Gulberg-III, Lahore.
Telephone: 042-5783828-32
Fax: 042-5875916

Liaison Office Lahore
10th Floor, Crescent Standard Tower,
10-B, Block E-2, Main Boulevard,
Gulberg-III, Lahore.
Telephone: 042-5783801-4
Fax: 042-5870357
E.mail: ejaz@shakarganj.com.pk

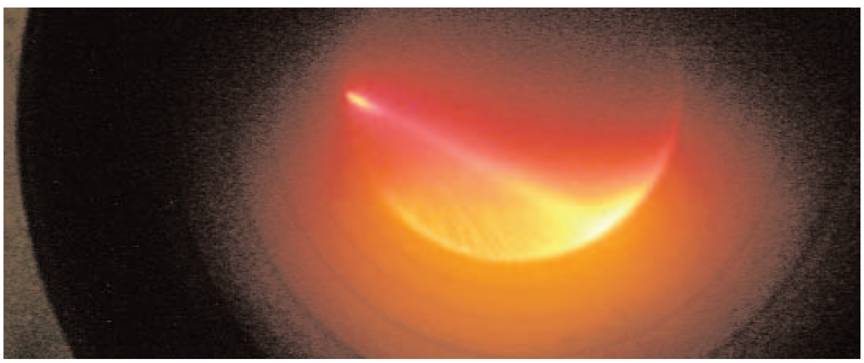
Principal Office
9th Floor, Sidco Avenue Centre,
264 R.A. Lines, Karachi-74200.
Telephone: 021-5674881-5
Fax: 021-5680476
E.mail: arif.raza@crescent.com.pk
URL: www.crescent.com.pk

Factory – Steel Division
A/25, S.I.T.E., Nooriabad,
District Jamshoro, Sindh.
Telephone: 025-4670020-2
E.mail: mushtaque.ahmad@nra.crescent.com.pk

Mills – Cotton Division
Crescent Cotton Products (Spinning Unit)
1st Mile, Lahore Road, Jaranwala,
District Faisalabad, Punjab.
Telephone: 041-4313799, 4312899, 4311741
Fax: 041-4315475
E.mail: abdul.rouf@jrn.crescent.com.pk

Company Profile

Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started commercial production in March 1987. The manufacturing



We are the first Pakistani company to have acquired oil and gas industry specific ISO/TS 29001, Quality Management standard certification from API.

facilities consist of a Spiral Pipe Production line and a multi-layer Polyolefin and stand-alone Epoxy Coating line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Jamshoro district of Sindh and a Cotton Spinning Unit of 19,680 spindles CCP-I and 25,344 spindles CCP-II at Jaranwala, Faisalabad.

Company's Investment and Infrastructure Development Division manages an investment portfolio and real estate.

Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education, healthcare and environmental causes.

Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8-5/8" – 90" (219 mm – 2286 mm) in wall thickness from 4 mm – 18 mm and material grades up to API 5L X-80. The Company has been gradually enhancing and upgrading the pipe production capacity which has increased from 80,000 tons initially to the present notional capacity of 90,000 tons per annum. The Company has authorization to use API monogram of the American Petroleum Institute – the highest international standard accredited for quality of steel line pipe. It also has the ISO 9001 : 2000 certification. In addition, we have become the first Pakistani company to have acquired oil and gas industry specifics ISO/TS 29001, Quality Management System Certification from API. The Polyolefin Coating Plant was added adjacent to the pipe mills which is capable of applying single and multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene / Polypropylene and Polyethylene Tape Coating on steel pipes ranging from 4" – 56" (114 mm – 1422 mm). Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi-layer

During the year under review we have explored new markets and have taken initiatives to diversify our product offering for construction and infrastructure projects.

Crescent Steel & Allied Products Ltd.

Company Profile

coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

Our strategy has been to focus on those sectors and projects which have potential for growth and where real investments are being made.

Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity under the name and title of "Crescent Cotton Products" (CCP) a division of Crescent Steel and Allied Products Limited. CCP is a division of the Company but its operating results are shown separately. CCP as a division holds ISO 9001 : 2000 Quality Management Credential. CCP produces good quality cotton yarn of various counts from 10s to 80s having a notional capacity based on 20s of 6.5 and 9.3 million kgs per annum in CCP-I and CCP-II respectively and its products are consistently in demand and generally sold at a premium.

Investment and Infrastructure Development Division

During the current year Investment and Infrastructure Development Division (IID) was carved separately from Steel Division under the new business Architecture. The division manages an investment portfolio in shares and other securities, across diversified sectors and real estate. Our strategy has been to focus on those sectors and projects which have potential for growth and where real investments are being made.

Unit II comprising of 25,344 spindles with state of the art German, Japanese and Swiss machinery was set up and commissioned during the last year, had first full year production during the current year.

Our Governing Principles

CSAPL conducts its business in a responsible manner and with honesty, and integrity. We also have the same expectations from all those with whom we have relationships. We insist on doing what is right which sets the tone of our actions and underpins the functioning of our employees. We also insist that all transactions be open, transparent and with in the legal framework culminating in responsible financial reporting.

We are fully cognizant of the possible shortage of cotton with high prices and are prepared to do everything possible to mitigate the adverse impact of such an event.

Integrity

CSAPL does not use bribe as an instrument for any business or financial gain. Employees are not authorized to give or receive any gift or payment which may be construed as such.

Employees are also required to avoid engaging in any personal activity or financial interests which would conflict with their responsibility to the Company.

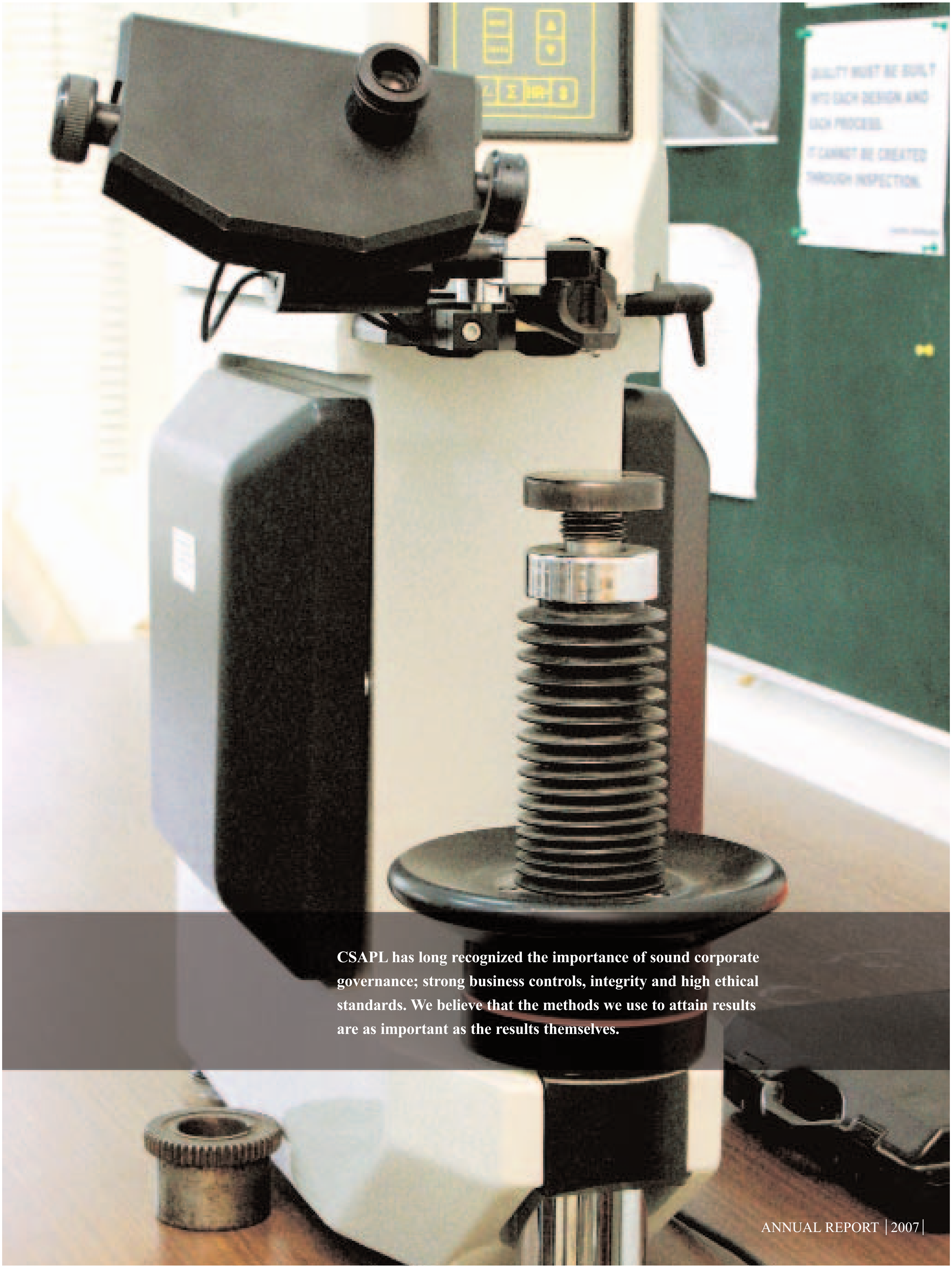
Role of the Board of Directors

The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders.

The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities. The system is based upon written procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a programme of internal audit, manning of all key functions by qualified personnel and constant training.

Code of Conduct

The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business. The code includes:



CSAPL has long recognized the importance of sound corporate governance; strong business controls, integrity and high ethical standards. We believe that the methods we use to attain results are as important as the results themselves.

Our Governing Principles

- Corporate governance
- Relationship with employees, customers and regulators
- Confidentiality of information
- Trading in Company's shares
- Environmental responsibilities

The management would like to record its deep appreciation to the active role of the Board of Directors and the Audit Committee in supporting and guiding the management on matters leading to success in achieving the targets of the Company.

Board Committees

The Board has constituted an Audit Committee and a Human Resource Committee to review and improve the current human resource architecture.

Audit Committee

The Audit Committee operates under a charter approved by the Board. The governing charter of the Audit Committee addresses the requirement of the code of corporate governance issued by the SECP and includes the requirements of best practices. The Committee is accountable to the Board for the recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the audit process. CEO and the CFO are responsible for the accuracy of financial information for inclusion in the annual report; the Committee provides the Board with additional assurance.

The Committee also ensures that the Company has an effective internal control framework. These controls include safe-guarding of assets, maintaining of proper accounting records complying with legislation and ensuring the reliability of financial information.

HR Committee

The HR Committee has been constituted to address and improve the crucial area of human resource development. The Committee has framed a terms of reference and its aim is to guide the management in formulating an overall strategic plan for HR, in developing new program initiatives and formulation of policies. In short to ensure the attainment of the maximum effectiveness from the overall HR service delivery system.

Management Structure

The Company has three distinct business units, a Steel Division, a Cotton

With a stated objective and keeping with global best management practices, HR initiatives will drive CSAPL towards betterment and growth. This has also interconnected with our major exercise carried out last year termed as ORTE- Organization Review and Transformation Exercise.

Our Governing Principles

Division and an Investment and Infrastructure Development Division. The accounting for these units is done separately in an arms length manner to arrive at the true profit before tax for each unit. Three


SOUTH ASIAN FEDERATION OF ACCOUNTANTS
(An Apex Body of SAARC)
SAFA
BEST PRESENTED ACCOUNTS AWARDS - 2005
This is to certify that
CRESCENT STEEL AND ALLIED PRODUCTS LTD. of PAKISTAN
was awarded
MERIT CERTIFICATE
In the Category
MANUFACTURING SECTOR
in the above competition.
Permanent Secretary
SAFA
January 16, 2007
Colombo, Sri Lanka
President
SAFA

Social responsibility has long been a part of CSAPL's values and how we operate. Company has a policy to allocate 2% - 5% of its pre-tax profits in the form of donations and community support initiatives.

business unit heads and three corporate functional heads as defined in the management structure with clear responsibility and authority matrix have direct reporting lines to the Chief Executive Officer. Limits of authority at all levels are clearly defined in our control manual. The Internal Audit function is responsible to monitor compliance with the manual.

Responsibility to Stakeholders

Our primary purpose is to run our business efficiently and profitably to enhance shareholders' value but we do it with responsibility to all stakeholders. Profitability is essential to discharge this responsibility and the corporate resources are primarily deployed in the achievement of this end.

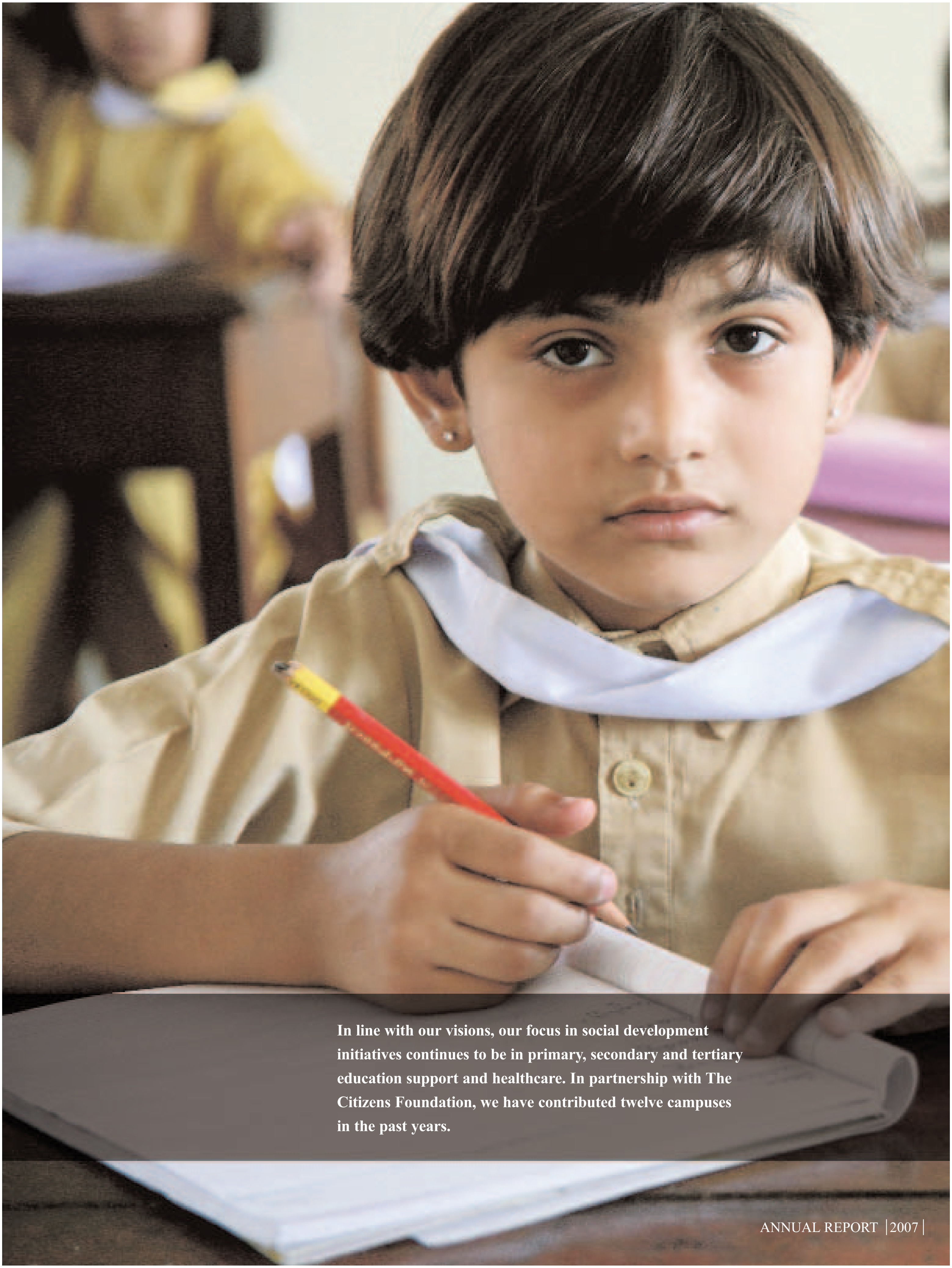
However the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

- Our Shareholders
- Our Customers
- Our People
- Our Business Partners
- Our Society

Service to Society

We are increasingly conscious of the role we have to play as responsible corporate citizens in fulfilling a wide variety of community needs. We believe in "giving something back" by helping address issues such as education, healthcare, public safety, environmental health etc. This is also arising from our basic belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the societies in which they are operating.

These principles are not just put forth on paper but we have over the years actively strived to promote issues of education, health and environment. Major portion of our budget for philanthropy



In line with our visions, our focus in social development initiatives continues to be in primary, secondary and tertiary education support and healthcare. In partnership with The Citizens Foundation, we have contributed twelve campuses in the past years.

Our Governing Principles

and sponsorship is allocated to primary and secondary schooling for less privileged children.

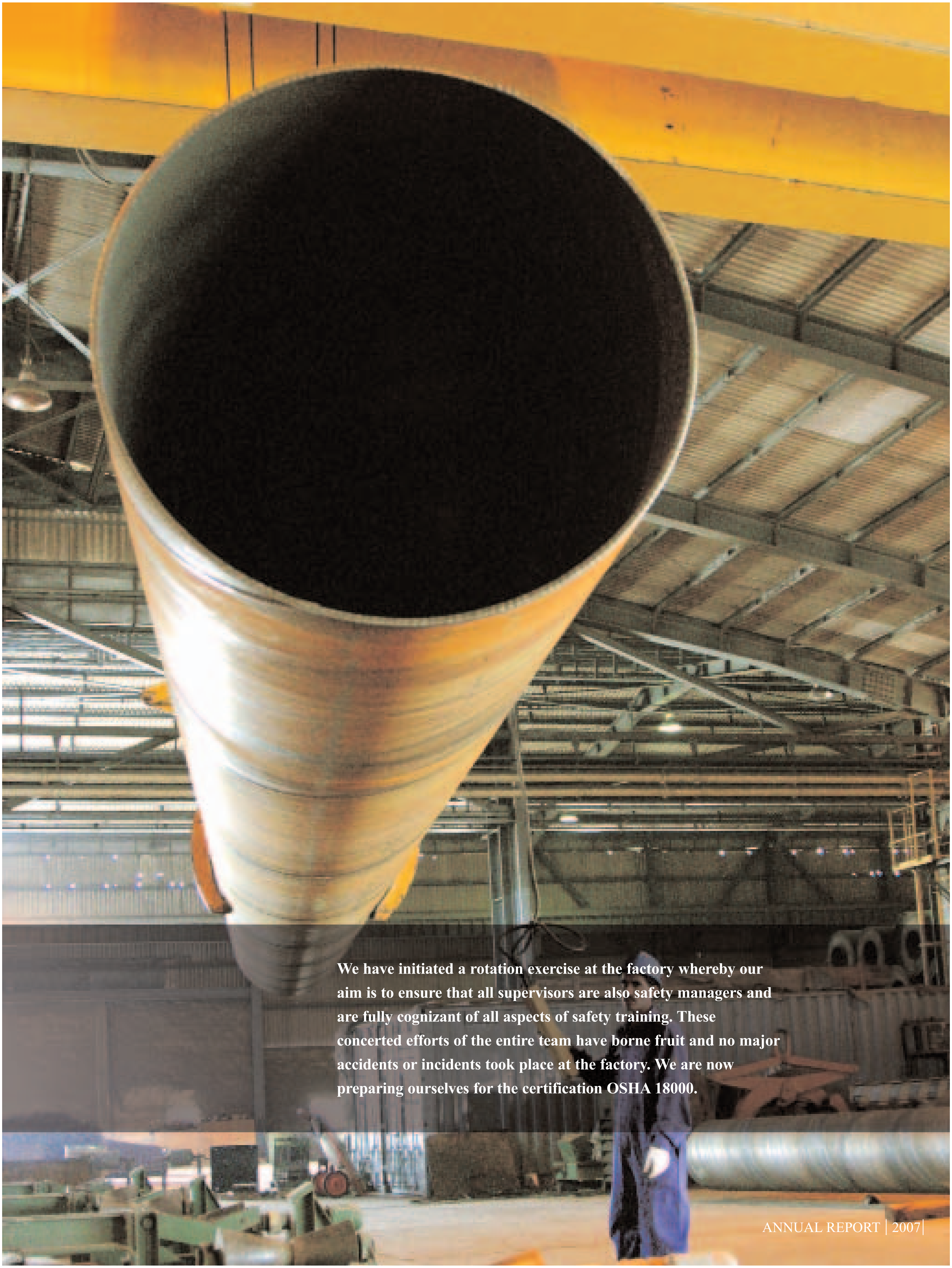
Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report and the interim quarterly reports. The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholder enquiries.

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials we produce.

Safety, Health and Environment

Maintenance of health and safety standards at our plants and offices is a serious issue at CSAPL. We are committed to actively managing health and safety risks associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors. We also ensure that our products are shipped in a safe manner complying with the safety standards and legal requirements.



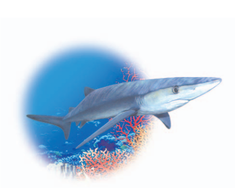
We have initiated a rotation exercise at the factory whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. These concerted efforts of the entire team have borne fruit and no major accidents or incidents took place at the factory. We are now preparing ourselves for the certification OSHA 18000.

Year in Brief

- During the year under review we have explored new markets and have taken initiatives to diversify our product offering for construction and infrastructure projects.
- We have successfully produced 19.1 mm thick pipes which is the maximum thickness ever produced in Pakistan.
- Coating plant range extended from minimum 6” to 4” dia by in-house modification of the plant.
- Spinning unit production in 20's counts converted for year was 36.3 million Lbs.
- Under the new business structure Investment and Infrastructure Development Division was created for managing the investment in stocks and infrastructure development properties.
- Balance sheet footing crossed Rs. 4.7 billion mark.
- Sales revenue and net of tax profit is Rs.2.95 billion and Rs.663.2 million respectively for the year - which is highest ever in company's history.
- We are the first Pakistani company to have acquired oil and gas industry specific ISO/TS 29001, Quality Management standard certification from API.
- Our Annual Report 2005 received 1st position in engineering sector of ICAP Best Corporate Report Award-2005.
- We received SAFA Best Presented Report Award-2005 in manufacturing sector of SAARC countries.
- We were awarded Top 25 Companies Award 2005 by Karachi Stock Exchange.

KEY FIGURES

		2007	2006
Sales Revenue	Rs. in million	2,950	1,707
Profit After Tax	Rs. in million	663	260
No. of Shares Outstanding	No. in million	46.7	35.0
Earnings per Share - Basic and Diluted	Rs.	14.60	7.36
Dividend			
- cash	Rs./share	3.0	–
- bonus	(%)	10	20
Return on average capital employed	(%)	17.4	9.0
Return on average equity	(%)	25.3	13.3
Current Ratio		2.0	1.9
Debt: Equity Ratio		10 : 90	21 : 79
Shareholders’ Equity	Rs. in million	3,200	2,038
Total Assets	Rs. in million	4,696	3,715
Capital Expenditure	Rs. in million	127	997
Price - Earning Ratio		4.9	5.9
Market Value per share	Rs.	71.0	43.5
Break-up Value per Share	Rs.	68.6	58.2
Employees		1,139	1,083

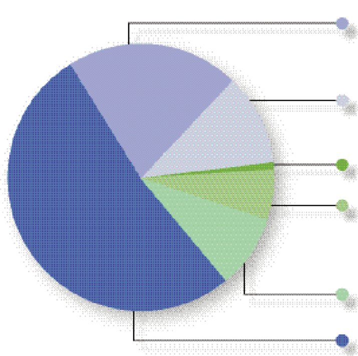


Full year production of Unit-II for fine counts which resulted in increase in revenue and improved margins.

Crescent Steel & Allied Products Ltd.

Statement of Value Added
For the year ended 30 June 2007

	2007 Rupees in '000	%	2006 Rupees in '000	%
WEALTH GENERATED				
Total revenue inclusive of investment income, sales tax and other income	3,802,303		2,204,785	
Bought-in-material and services	(2,327,121)		(1,492,879)	
	1,475,182	100%	711,906	100%
WEALTH DISTRIBUTED				
To Employees				
Salaries, benefits and other costs	166,439	11%	110,989	15%
To Government				
Income tax, sales tax, WWF and WPPF	323,646	22%	154,917	22%
To Society				
Donation towards education, healthcare and environment	19,988	1%	4,000	1%
To Providers of Capital				
Dividend to shareholders	93,322	6%	131,235	18%
Mark-up/interest expenses on borrowed funds	128,490	9%	82,940	12%
Retained for reinvestment & future growth				
Depreciation, amortization & retained profit	743,297	51%	227,825	32%
	1,475,182	100%	711,906	100%



Net of tax profit increased by 1.6 times stood at Rs. 663.2 million as compared to Rs. 259.6 million of last year.

Earning per share is Rs. 14.6 per share as compared to Rs. 7.4 in corresponding period.

Return on average capital employed (ROCE) of 17% versus 9% for the last year.

Directors’ Report

The directors of the company have the pleasure in submitting their report together with audited financial statements of the company for the year ended 30 June 2007.

Operating Results

The financial results of the Company are summarised below:

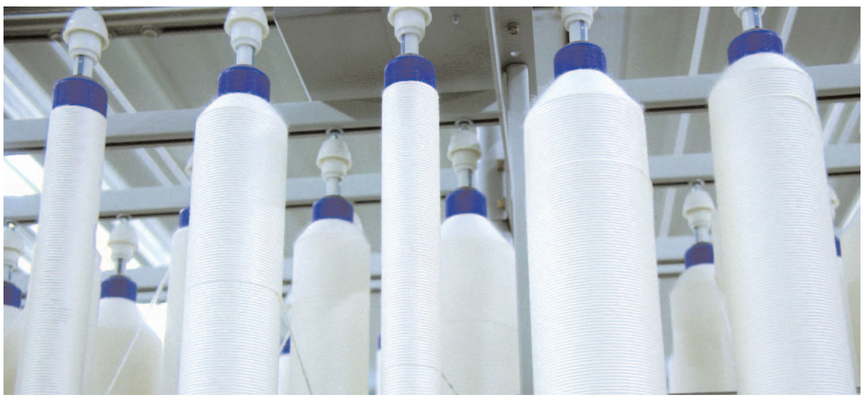
		2007	2006
		Rupees in '000	
Profit for the year		727,323	262,409
Taxation		64,145	2,790
Profit after taxation		663,178	259,619
Unappropriated profit brought forward		450,417	322,033
Profit available for appropriation		1,113,595	581,652
Appropriations:			
- First interim dividend	2007 - 10%	(46,661)	–
- Second interim dividend	2007 - 10%	(46,661)	–
- Final dividend	2005 - 10%	–	(24,303)
- Bonus shares issued - Final	2005 - 20%	–	(48,605)
- Interim	2006 - 20%	–	(58,327)
- Transfer to General Reserve	2006	(421,000)	–
		(514,322)	(131,235)
Unappropriated profit carried forward		599,273	450,417
Basic and diluted earning per share		Rs.14.60	Rs.7.36

The Board of Directors recommends payment of final cash dividend of Re.1/- in addition to two interim dividends of Re.1/- each making total payment of Rs.3/- (30%) for the year. Further, bonus shares in proportion of every one share for ten shares held i.e. 10% is recommended. In addition to this, Board has also recommended a transfer of Rs.500.0 million to General Reserve out of unappropriated profit of Rs.599.3 million as on 30 June 2007. The above appropriations will be reflected in the accounts for the year 2008.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the company whilst managing the company's business is the responsibility of the Management.

Directors' Report

Statement on corporate and financial reporting framework



- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control and other such procedures, which are in place, are being continuously reviewed by the internal audit function. The process of review will continue and any weakness in controls will be removed.

- There are no significant doubts upon the company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

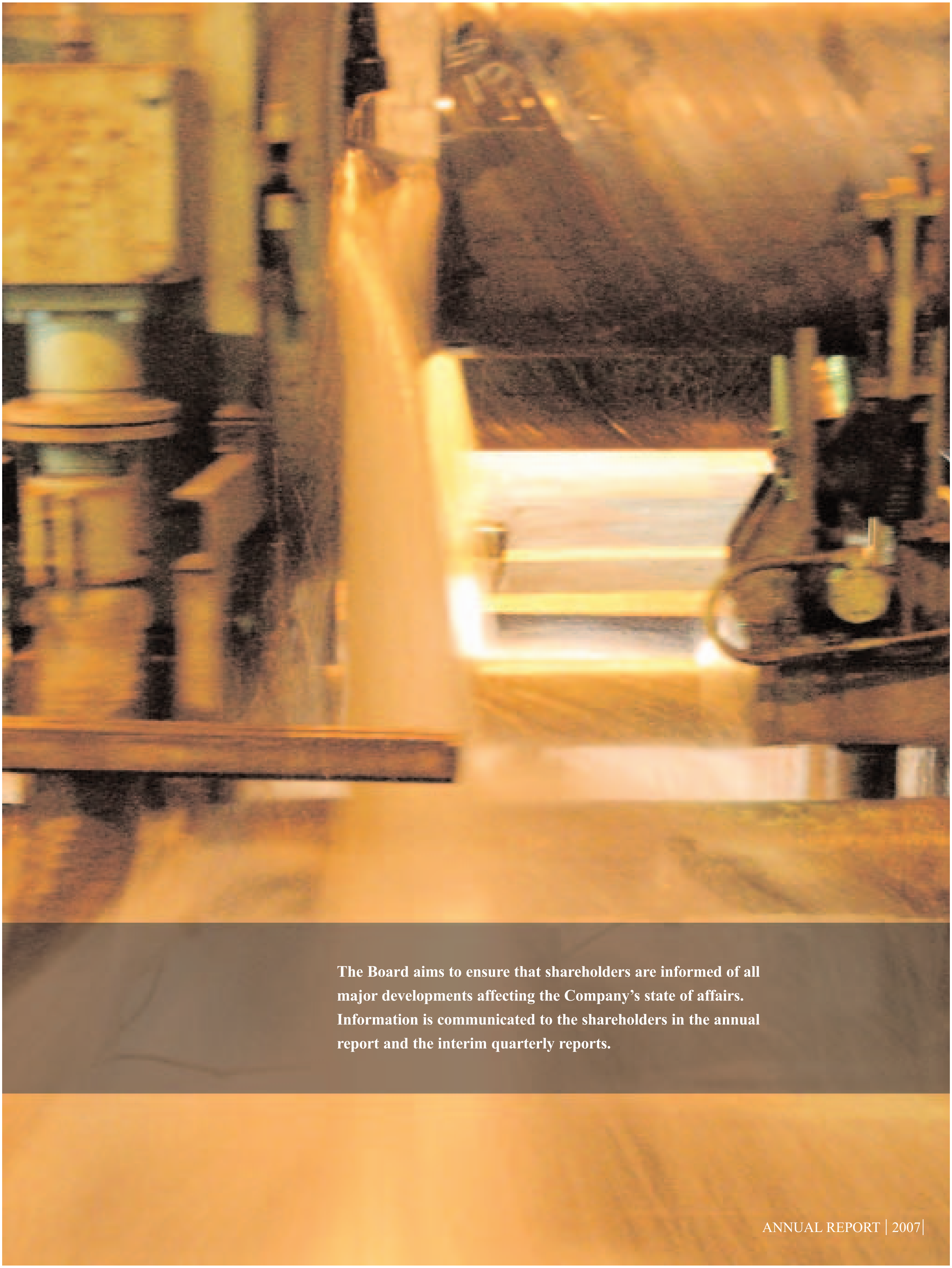
- Details of significant improvements in the company's operations during the current year and significant plans and decisions for the future are stated in the Chief Executive Review.

- Key operating and financial data for last six years in summarized form is annexed.

- Information about taxes and levies is given in the notes to the financial statements.

- The number of employees at the end of year was 1,139 (2006: 1,083).

- The following is the value of investments of the following funds



The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report and the interim quarterly reports.

Directors' Report

based on the audited accounts for the year ended 31 December 2002:

- Provident fund	Rs.45.86 M
- Gratuity fund	Rs.10.38 M
- Pension fund	Rs.29.09 M

- During the year eight board meetings were held and the attendance by each director is attached separately.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of the company were carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Directors

Election of Directors was held on 28 January 2006 and out of eight Directors, the seven retiring Directors were elected unopposed whose term of office will expire on 29 January 2009.

Financial statements

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants and their report is attached with the financial statements.

No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

By order of the Board

Ahsan M. Saleem
Chief Executive

31 July 2007

The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholder enquiries.

Chief Executive's Review

Dear Shareholders,

It gives me great pleasure to, present operational and financial review of your company for the year ended June 30, 2007. By the Grace of Allah, the results reflect best ever performance of the company both in terms of revenues and bottom line profits.

Pakistan Stock market has reached the highest level ever. It is still cheaper relative to other Asian countries. We believe in the inherent strength of the economy and the companies in which we have invested in.

This come in the backdrop of robust performance of economy which continued to gain traction as it experienced the longest spell of strong growth in years. The outcomes of the outgoing fiscal year 2006-07 indicate GDP growth rate of 7% at the back of robust growth in agriculture, manufacturing and services. Agriculture registered a sharp recovery from as low as 1.6% last year to 5% this year and therefore enhanced its contribution to real GDP growth.

The outgoing fiscal year has witnessed concerted foreign investor's interest in Pakistan's stock market as a result of large-scale coverage of market by foreign brokerage houses. This is because capital market provides substantial returns while good corporate results continued to prompt and fuel a portfolio shift.

Overview

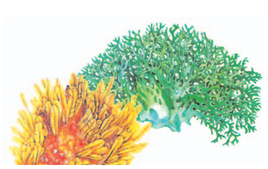
The company's performance during the year under review is a record in terms of sales and profits. Both Steel and Cotton Divisions contributed to the top line growth of over 70%. Following are the some of the highlights of company's operational and financial performance:

Sales Revenue increased by 73% as compared to the corresponding period and amounted to Rs. 2.95 billion - which is highest ever in company's history.

Investment income increased by 24% from Rs.332.9 million in last year to Rs.411.4 million in FY07.

Gross profit increased by 2.6 times as compared to the corresponding period and amounted to Rs. 510.5 million - the highest in the history of company.

Pretax net profit increased by 1.8 times was also the highest in the company's

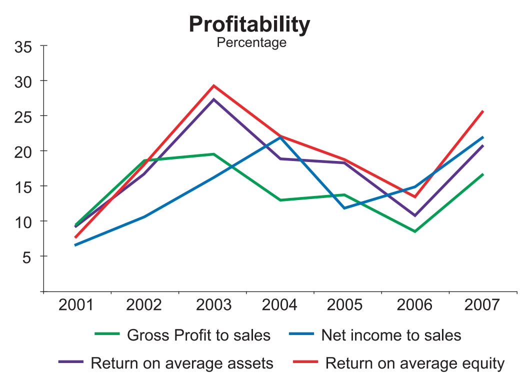


The gas transmission network of SSGC & SNGPL have expanded quite aggressively during the last 5 years to accommodate the available gas discovered previously and now the transmission system is capable of handling up to 3.8 bcfd.

Chief Executive's Review

history. This amounted to Rs. 727.3 million as against Rs.262.4 million of FY06.

Net of tax profit increased by 1.6 times stood at Rs.663.2 million as compared to Rs. 259.6 million of last year.



Presently 52% of the total energy demand of the country is met by gas and the growth in demand is expected to be more than 15% per year.

Earning per share is Rs. 14.6 per share as compared to Rs. 7.4 in corresponding period.

Return on average capital employed (ROCE) of 17% versus 9% for the last year.

Return on average equity (ROE) of 25% versus 13% for the last year.

Orders in hand at the end of the year depict a healthy order book running well into FY08.

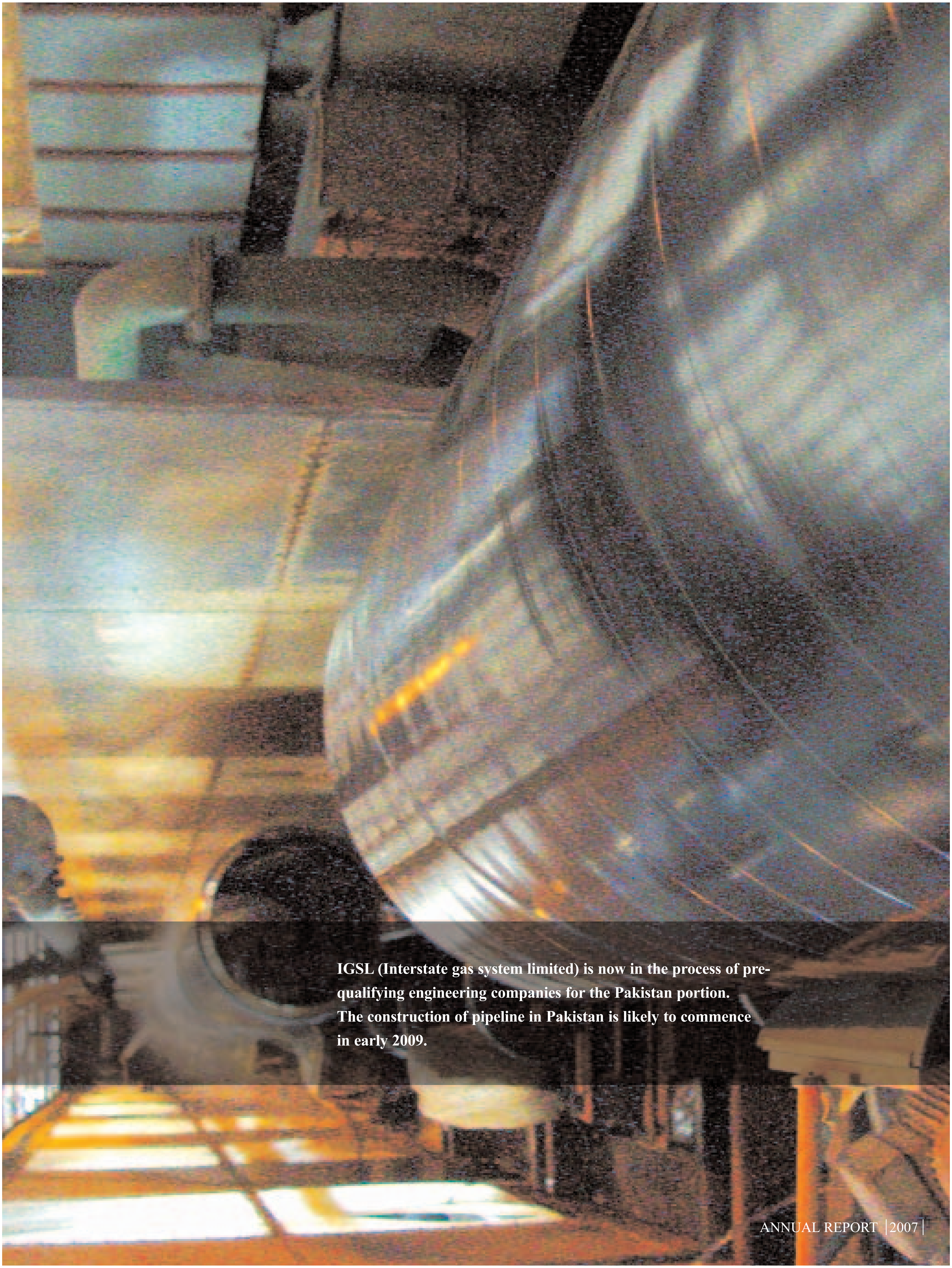
In Steel Division, Pipe plant as well as Coating plant improved plant utilization substantially due to healthier order book for pipe production and extension in the diameter range of Coating plant.

Improvement in asset utilization resulted in increase in revenue and improvement in margins. In cotton division top line doubled due to full year production of Unit-II for fine counts which resulted in increase in revenue and improved margins. Gross profit margin increased from 4.2% to 8.7% in current year. Investment and Infrastructure Development Division (IID) was carved separately from Steel Division under the new business Architecture. The division performed exceptionally well during the year and contributed Rs.509.6 million pretax net profit in the bottom line of the company.

In the ensuing paragraphs operating performance of divisions is set out separately.

Steel Division

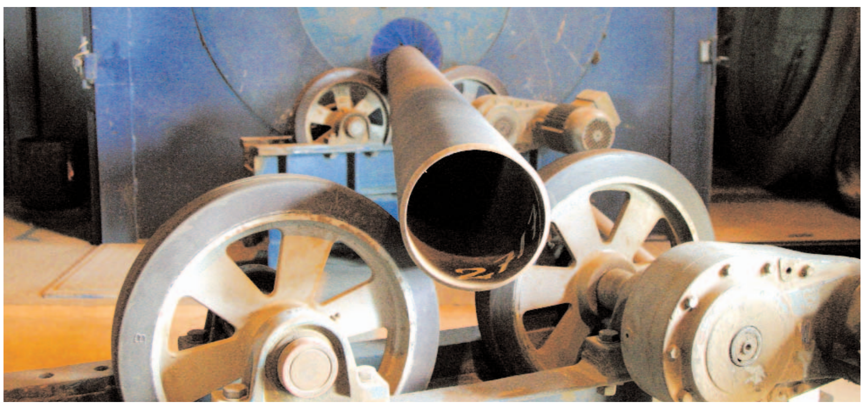
Steel Division performed well during the year with good order intake and execution of own product contracts compared to conversion jobs undertaken in last year. The continued high demand of steel world wide has kept the prices of steel on the higher side throughout the year especially in higher grade steel. In view of volatile conditions in the steel supply and prices, special attention was given to strengthening of the supply chain and new supply sources have been identified and added.



IGSL (Interstate gas system limited) is now in the process of pre-qualifying engineering companies for the Pakistan portion. The construction of pipeline in Pakistan is likely to commence in early 2009.

Chief Executive's Review

During the year under review we have explored new markets and have taken initiatives to diversify our product offering for construction and infrastructure projects. Plant improvements and augmentation were also completed and CSAP successfully produced 19.1 mm



In the cotton division the situation is again not looking very favorable. Market is under pressure due to high prices of cotton affecting cost of manufacturing of yarn for all counts.

thick pipes which is the maximum thickness ever produced in Pakistan.

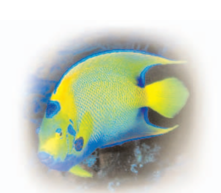
Bare pipe production for FY07 was 23,180 tons as compared to 21,820 tons during the last year. Production tonnage on actual basis was higher by 1,360 tons whereas on notional basis it was 67,104 tons compared to 46,981 tons last year. This is primarily due to smaller diameter mix compared to last year. Further, for the first time we have been able to utilize our coating plant capacity in excess of 70%, as against 40% in the previous year.

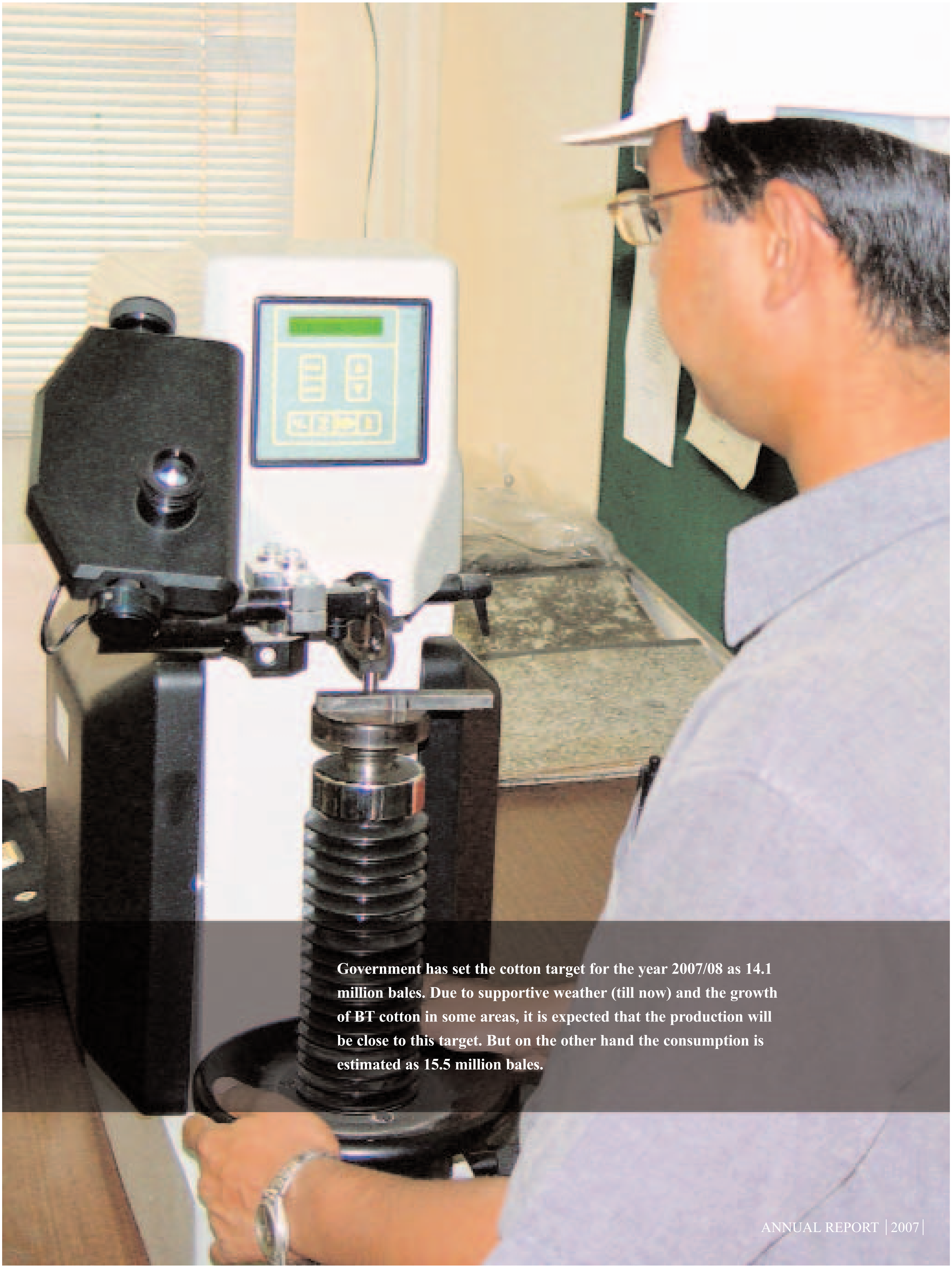
Steel division sales grew by an impressive 54%, contributed by both bare pipes and coating. Sales revenue of bare pipes increased by 37% while coating revenue growth was an outstanding 2.4 times over last year amount due to execution of large orders of small diameter pipes. Gross profit margins also increased substantially to Rs. 390.2 million as against Rs. 111.2 million during last year. Operating profit before financing cost amounted to Rs. 222.9 million as compared to Rs. 23.9 million last year, while profit before taxation was Rs. 217.7 million as against Rs. 20.0 million last year.

Cotton Division

The spinning unit-I and II of cotton division operated without any problems throughout the year on three shifts basis. Unit II comprising of 25,344 spindles with state of the art German, Japanese and Swiss machinery was set up and commissioned during the last year, had first full year production during the current year. Despite difficult year for spinning industry, the company was able to end up with break-even as compared to loss of Rs. 68.4 million last year.

Spinning unit production in 20's counts converted for year was 36.3 million Lbs as compared to 16.9 million Lbs produced in last year. Sales revenue doubled during the current year due to full year production of Unit-II for fine counts which resulted in increase in revenue and improved margins. Revenue



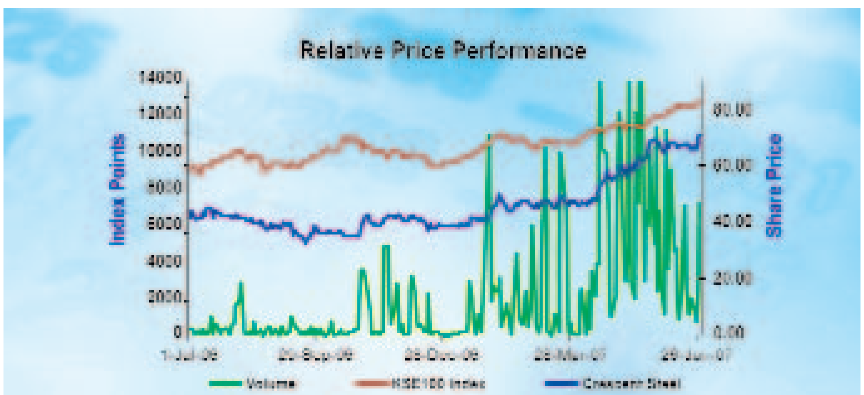


Government has set the cotton target for the year 2007/08 as 14.1 million bales. Due to supportive weather (till now) and the growth of BT cotton in some areas, it is expected that the production will be close to this target. But on the other hand the consumption is estimated as 15.5 million bales.

Chief Executive's Review

increased from Rs. 693.0 million of FY06 to Rs. 1,385.8 million this year.

The price of cotton purchased from the local market during the current year remained higher than the last year,



Due to sharp focus strategic allocation of funds and effective risk management coupled with the buoyant stock market, the company generated 53.8% return on average investment (excluding equity accounted undertakings) during the year.

resulted in increase in average cost of cotton consumed by 7.4%, but the effect was offset by somewhat higher yarn prices. While the price of imported cotton purchased during the year remained lower than the last year. Gross profit for the year under review amounted to Rs. 120.2 million as compared to the Rs. 29.1 million in last year- increase by 3.1 times. Gross margins also increase from 4.2% in FY06 to 8.7% in current year due to Unit II production of fine counts.

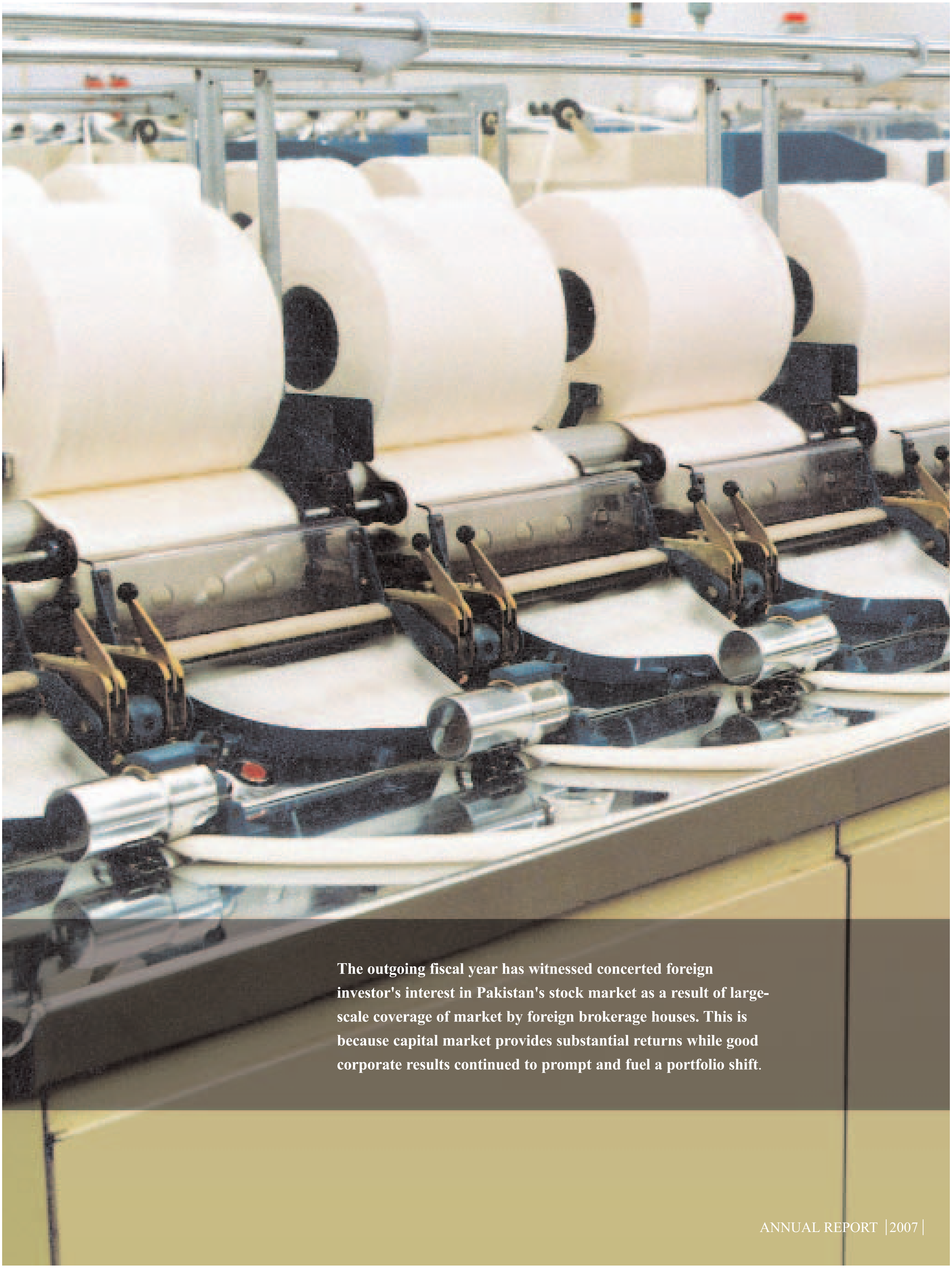
Financial charges increased due to a long term loan of Rs. 450 million taken during Q2FY06 to finance capital expenditure of Unit-II and utilization of short term finances during the current year to support increased operational activities. Further change in monetary policies by the government resulted in upward pressure on interest rates. Cost of borrowing ranges from 9.12% to 12.17% (2006: 8.65% to 10.45%), led to an increase in financial expenses from Rs. 68.0 million in FY06 to Rs. 99.3 million this current fiscal.

Currently, the cotton division was at break even. However, the addition in plant and machinery, during the last two years has resulted in carry forward tax losses which should reduce the tax payable of the company for the coming few years to the benefit of cash flow.

Investment and Infrastructure Development Division

Investment and Infrastructure Development Division (IID) also contributed significantly to the bottom line growth.

During the year under review, the market witnessed an impressive growth over last year with the KSE-100 index at 9,989 points at the start of the year, reaching an all time high of 14,202 points only to close at 13,772 points on 30 June 2007, a gain of 37.9% on an average basis. Due to sharp focus strategic allocation of funds and effective risk



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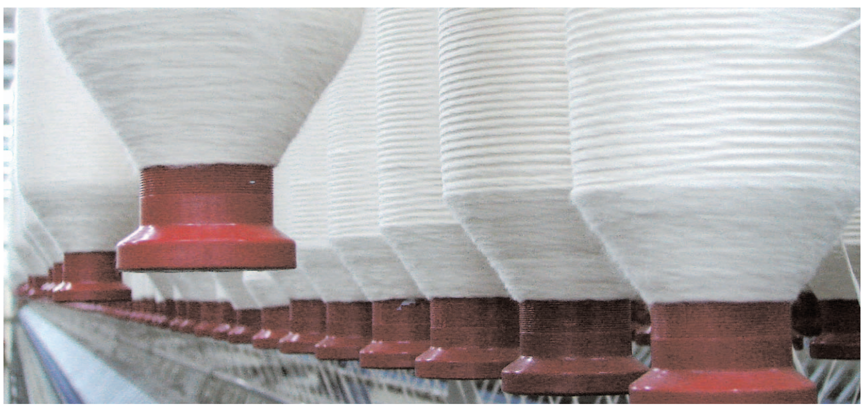
Chief Executive's Review

management coupled with the buoyant stock market, the company generated 53.8% return on average investment (excluding equity accounted undertakings) during the year.



Balance sheet footing has increased to Rs. 4,696.1 million this year. Net long term borrowing at the year end reduced to Rs. 354.0 million (2006: Rs. 548.3 million). The balance sheet gearing (Company's long term debt to equity ratio) for the year ended 2007 is 10: 90 (2006 - 21: 79).

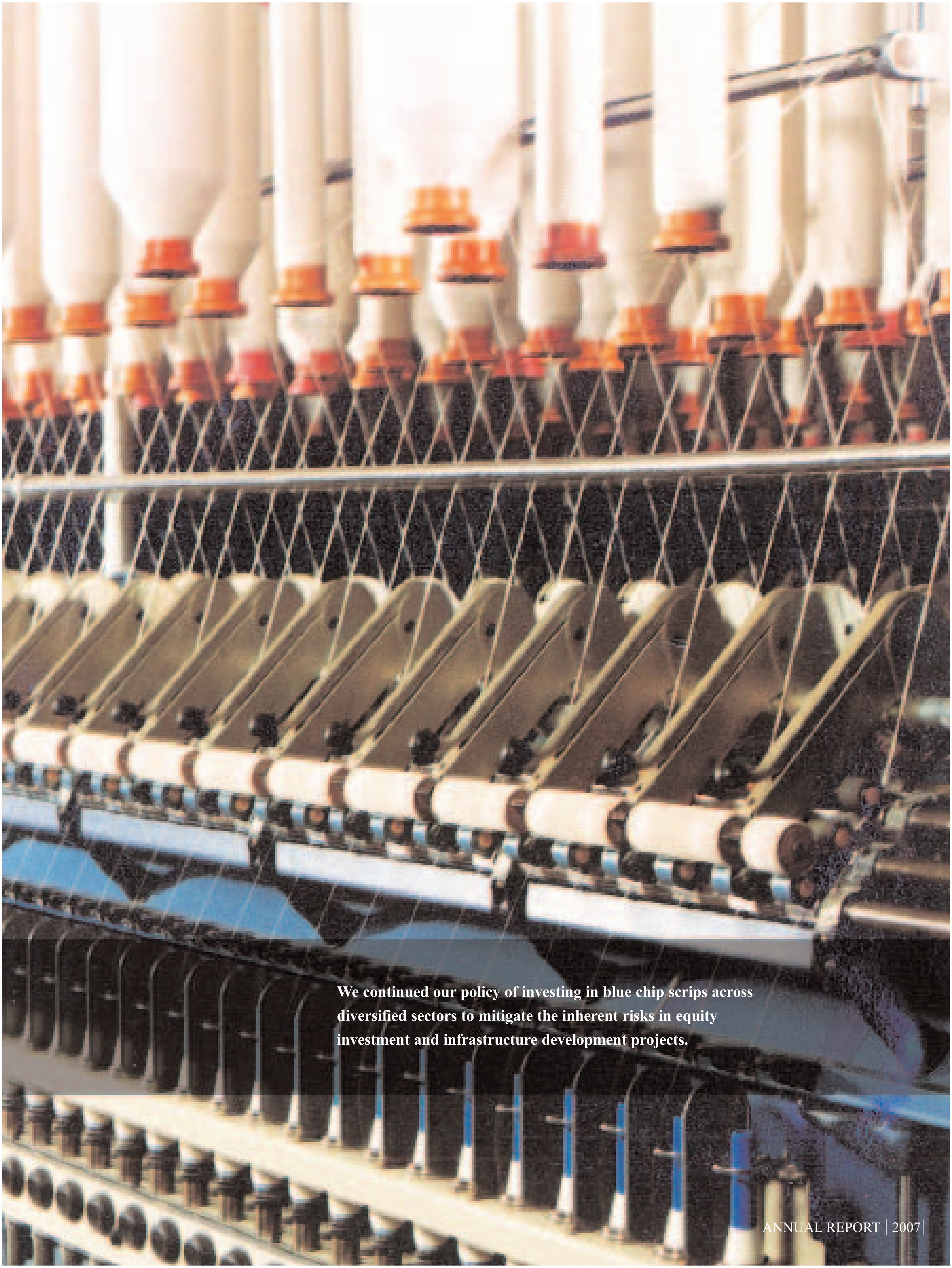
Profit before tax amounted to Rs. 509.6 million including one-off profit on disposal of office premises compared to Rs. 310.8 million last year. Further, unrealized gain on available for sale investment amounted to Rs. 193.1 million directly credited to capital reserve. Share of profit in associates (entities which are accounted on equity accounting method) for the year amounted to Rs.99.1 million (2006: loss of Rs.11.9 million). This includes share of profit amounting to Rs. 129.7 million on strategic investment made by the company in the energy sector.

Total investments appearing in short term and long term classification aggregated to a market value of Rs. 2,300.4 million on 30 June 2007 as compared to Rs. 1,312.6 million last year. During the period under review shares amounting to Rs.2,231.0 million (including Rs.591.2 million Altern Energy Limited and Rs.65.9 million Shakarganj Mills Limited) were purchased while shares amounting to Rs.1,816.8 million (including Rs.90.7 million and Rs.12.8 million disposal of Altern Energy Limited and Crescent Leasing Corporation Limited shares) were sold on account of trading and switching positions. The total value of our investment in infrastructure development property including capital work in progress-at cost amounted to Rs.101.2 million as at 30 June 2007. This represents industrial and non-industrial lands, office premises, apartment and warehouse which are in the process of construction.

We continued our policy of investing in blue chip scrips across diversified sectors to mitigate the inherent risks in equity investment and infrastructure development projects. For the benefit of our shareholder, our strategy has been to focus on those sectors and project which have potential for growth and where real investments are being made.

Balance Sheet

The Company's balance sheet continues to remain solid supported by



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Chief Executive's Review

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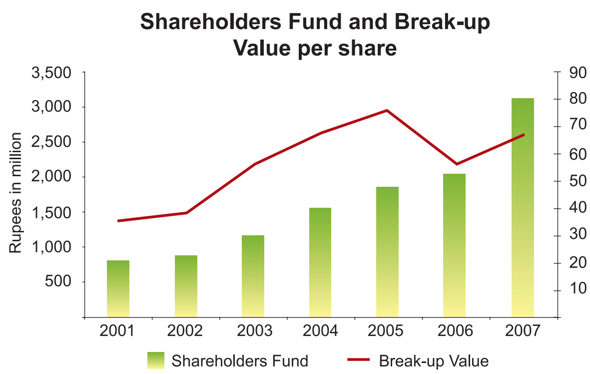

to equity ratio) for the year ended 2007 is 10: 90 (2006 - 21: 79). The liquidity position of the Company is comfortable with a year ended current ratio of 2 (2006 - 1.7). Return on average capital employed (ROCE) and return on average equity (ROE) for FY07 is 17% and 25% versus 9% and 13% for FY06 respectively.

We have also a long term commitment to tertiary education and have been contributing to Lahore University of Management Sciences and Commecs Institute of Business and Emerging Sciences.

Shareholders' funds at the year end totaled Rs.3,200.4 million (2006: Rs.2,037.7 million). The increase is largely due to right issue and retained profits and excludes the effect of recommended payments of final dividend. Break up value of shares has increased to Rs.68.6 from Rs.58.2 in last year.

Cash Flow

During the current year cash generated from operation amounted to Rs.629.6 million which is substantially higher than Rs.29.9 million last year. Net increase in cash and cash equivalents amounted to Rs.179.9 million as against decrease of Rs.185.5 million during last year.

Quality

We are serious about retaining our quality leadership and continue to invest in quality management system. We are the first Pakistani company to have acquired oil and gas industry specific ISO/TS 29001, Quality Management Standard Certification from American Petroleum Institute. We have held American Petroleum Institute API-5L pipe manufacturing license since 1987.

Safety, Health and Environment

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials we produce. In addition we have initiated a rotation exercise at the factory whereby our aim is to ensure that all supervisors are also safety

Maintenance of health and safety standards at our plants and offices is a serious issue at CSAPL. We are committed to actively managing health and safety risks associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors.

Chief Executive's Review

managers and are fully cognizant of all aspects of safety training. These concerted efforts of the entire team have borne fruit and no major accidents or incidents took place at the factory. We are now preparing ourselves for the certification OSHA 18000.

Social Responsibility

Social responsibility has long been a part of CSAPL's values and how we operate. Company has a policy to allocate 2% - 5% of its pre-tax profits in the form of donations and community support initiatives. In 2007 donations and payments helping community initiatives amounted to Rs.20 million or 2.7% of pre-tax profits. In line with our visions, our focus in social development initiatives continues to be in primary, secondary and tertiary education support and healthcare. In partnership with The Citizens Foundation, we have contributed twelve campuses in the past years and in line with our long term commitment to education we contributed to construction of two campuses one in Rawalpindi and one in Jaranwala in the current year. In addition we contributed to support running of schools, purchase of vehicles, computer labs and books.

We have also a long term commitment to tertiary education and have been contributing to Lahore University of Management Sciences and Commecs Institute of Business and Emerging Sciences.

As a Healthcare initiative, Hepatitis "B" awareness vaccination program for employees has been started.

HR Initiatives

With a stated objective and keeping with global best management practices, HR initiatives will drive CSAPL towards betterment and growth. This has also interconnected with our major exercise carried out last year termed as ORTE-Organization Review and Transformation Exercise. In the line with that ORTE and external consultants HR department has redesigned the performance management system, implemented KPI (key performance indicators) at all departments, change management concept, job evaluation and advance training strategies beneficial for all employees throughout the company.

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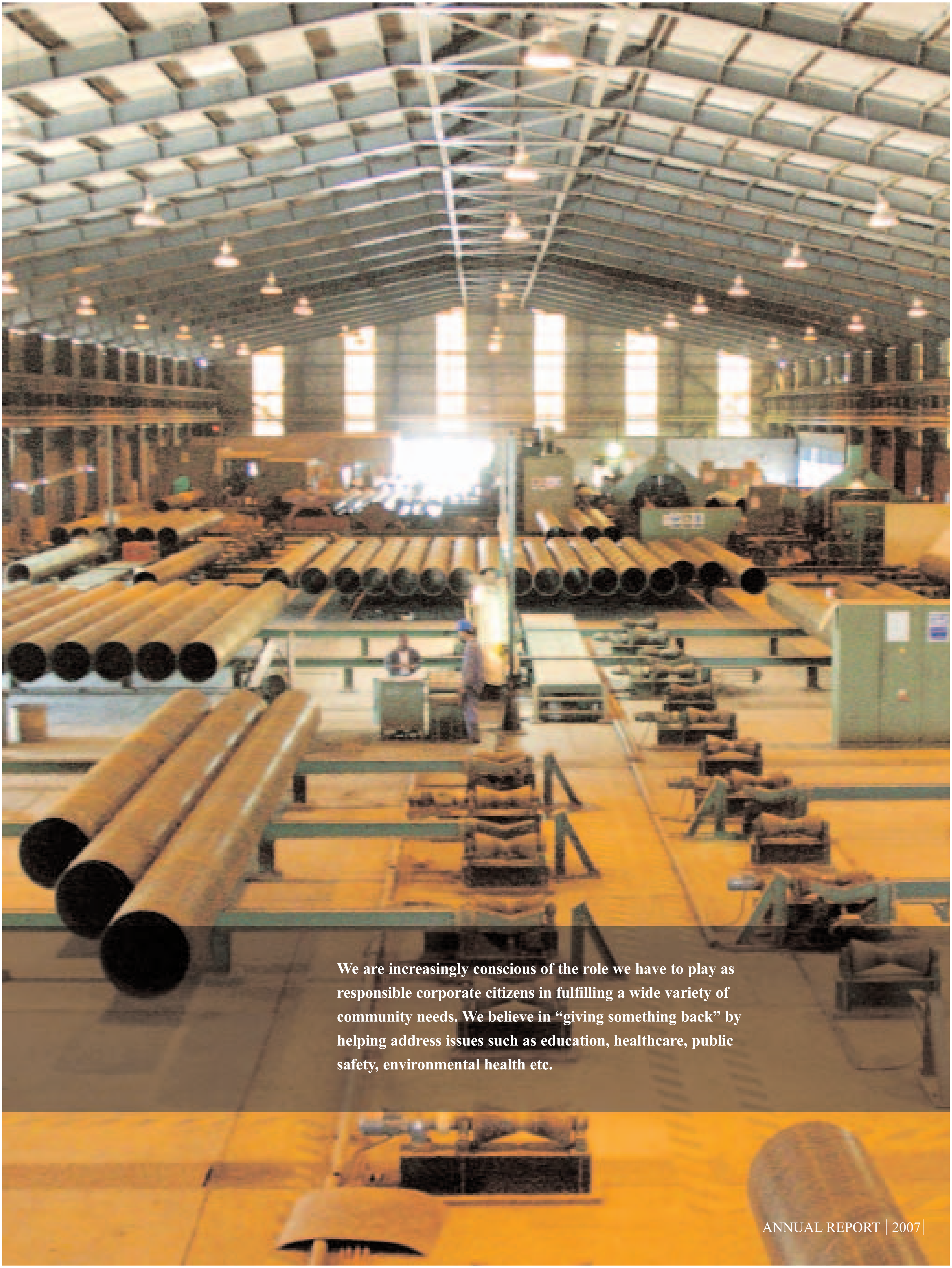

We are increasingly conscious of the role we have to play as responsible corporate citizens in fulfilling a wide variety of community needs. We believe in "giving something back" by helping address issues such as education, healthcare, public safety, environmental health etc.

Chief Executive's Review

Corporate Governance

CSAPL has long recognized the importance of sound corporate governance; strong business controls, integrity and high ethical standards. We believe that the methods we use to attain results are as important as the results themselves.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the company whilst managing the company's business is the responsibility of the Management.

Our Board met eight times during the current year to consider important corporate events and actions, such as:

- Approval of annual plan and corporate strategy
- Review of risks and controls
- Authorization of major transactions
- Authorization of substantial investments
- Approval of Annual and Quarterly Financial Statements
- Declaration of dividends
- Convening of shareholders' meetings
- Meeting with key staff to assess the adequacy of controls and succession plan

Our primary purpose is to run our business efficiently and profitably to enhance shareholders' value but we do it with responsibility to all stakeholders. Profitability is essential to discharge this responsibility and the corporate resources are primarily deployed in the achievement of this end.

Corporate Reporting

During the year the Company has also achieved multiple credentials for high corporate reporting standards. Our Annual Report 2005 received 1st position in engineering sector of ICAP Best Corporate Report Award-2005. Further we also received SAFA Best Presented Report Award-2005 in manufacturing sector of SAARC countries which was awarded by South Asian Federation of Accountants. In addition were awarded Top 25 Companies Award 2005 by Karachi Stock Exchange.

Business Risks, Challenges and Future Outlook

While economy is continuously growing and performing well, inflation and social disruptions arising from political uncertainty are a concern. Rising inflation and high interest rates may have

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Chief Executive's Review

some adverse impact on the growth of the market. However, on the other hand, expected infrastructure development particularly opportunities in oil, gas and water sector are promising indicators.

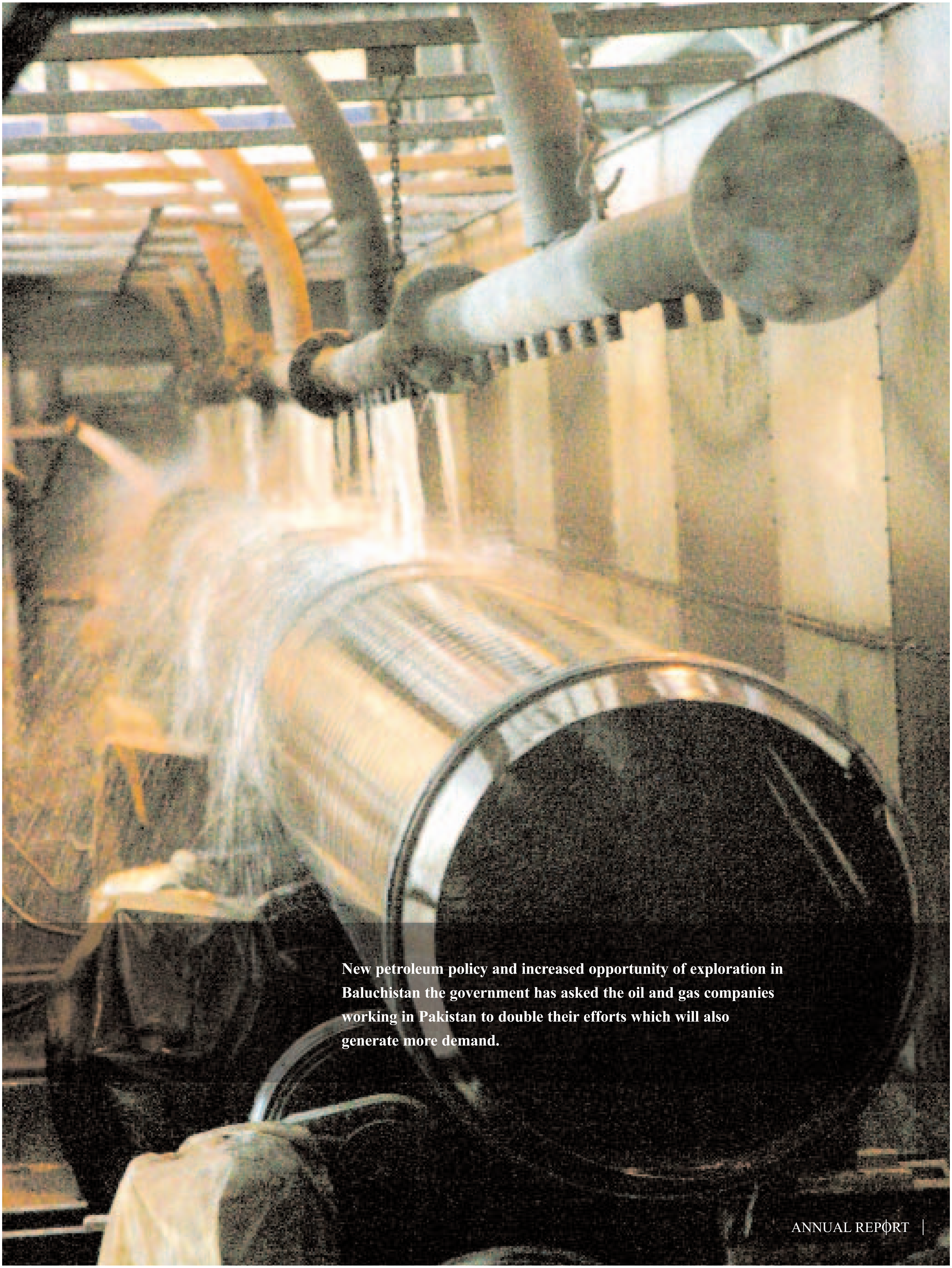
International cotton market is also at high tune. The New York future has touched to 66 last week. Due to lower estimated production in USA this year and negative trend of ending world stock, it is expected the New York will remain high.

The gas transmission network of SSGC & SNGPL have expanded quite aggressively during the last 5 years to accommodate the available gas discovered previously and now the transmission system is capable of handling up to 3.8 bcfd. The Gas distribution network of both SSGC & SNGPL is in the expansion phase and the demand for smaller diameter (4 -12 inches) pipes have increased quite significantly. Moreover with new petroleum policy and increased opportunity of exploration in Baluchistan the government has asked the oil and gas companies working in Pakistan to double their efforts which will also generate more demand.

Presently 52% of the total energy demand of the country is met by gas and the growth in demand is expected to be more than 15% per year. Work on IPI (Iran, Pakistan and India) line pipe project has also gain momentum due to foreseeable energy deficit in the country. IGSL (Interstate gas system limited) is now in the process of pre-qualifying engineering companies for the Pakistan portion. The construction of pipeline in Pakistan is likely to commence in early 2009. In order to take the imported gas from point of delivery to point of consumption the two gas companies namely SSGC and SNGPL will expand their infrastructure requiring laying of approximately 400,000 tons of 48”- 60”dia meter pipelines. Your company is geared up to take this challenge which may include enhancement of capacity for Bare Pipes and Coating facilities.

In the cotton division the situation is again not looking very favorable. Market is under pressure due to high prices of cotton affecting cost of manufacturing of yarn for all counts. This may lead to Pakistan loosing its share to India, China & Bangladesh due to their government supportive export policies.

Government has set the cotton target for the year 2007/08 as 14.1 million bales. Due to supportive weather (till



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Chief Executive's Review

now) and the growth of BT cotton in some areas, it is expected that the production will be close to this target. But on the other hand the consumption is estimated as 15.5 million bales. Pakistan is facing 1.5 million shortfall of cotton even if the target is achieved.

The Audit Committee operates under a charter approved by the Board. The governing charter of the Audit Committee addresses the requirement of the code of corporate governance issued by the SECP and includes the requirements of best practices.

International cotton market is also at high tune. The New York future has touched to 66 last week. Due to lower estimated production in USA this year and negative trend of ending world stock, it is expected the New York will remain high.

We are fully cognizant of the possible shortage of cotton with high prices and are prepared to do everything possible to mitigate the adverse impact of such an event.

Pakistan Stock market has reached the highest level ever. It is still cheaper relative to other Asian countries. We believe in the inherent strength of the economy and the companies in which we have invested in. However, considering the substantial rise in the market over the last few months and the forth coming election, the market may consolidate at these levels for some time. However, capital markets are always subject to market risk and we have to be vigilant in terms of current political scenario. We are taking all the measures to mitigate the market risks through diversification in the portfolio with significant portion of our investment in defensive stocks and have shock absorbers to manage the market volatility.

Board of Directors and Audit Committee

The management would like to record its deep appreciation to the active role of the Board of Directors and the Audit Committee in supporting and guiding the management on matters leading to success in achieving the targets of the Company. The Directors have also guided the management in developing our new organizational architecture for which we are thankful.

Stakeholders

We sincerely thank our customers and recognize that all our efforts and success are possible because of them and

The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities.

Chief Executive's Review

their confidence in products and services. We would like to thank the cooperation extended to us by our suppliers and financial institutions that have continued to support the company at all times.

Employees are also required to avoid engaging in any personal activity or financial interests which would conflict with their responsibility to the Company.

Employees

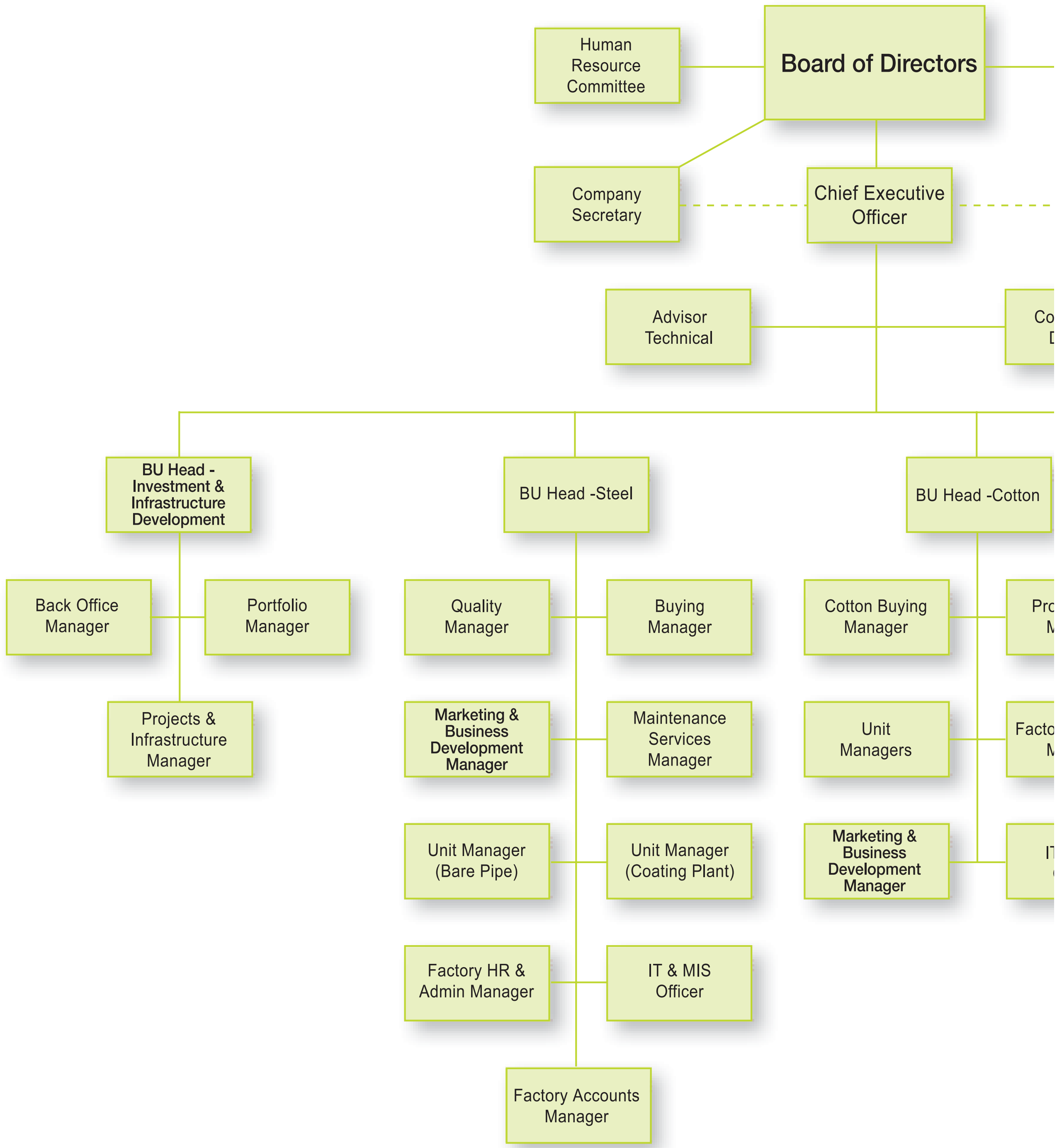
Team CSAPL has demonstrated great dedication and sense of purpose in taking the company's performance to new heights. The entire CSAPL family deserves a warm vote of thanks.

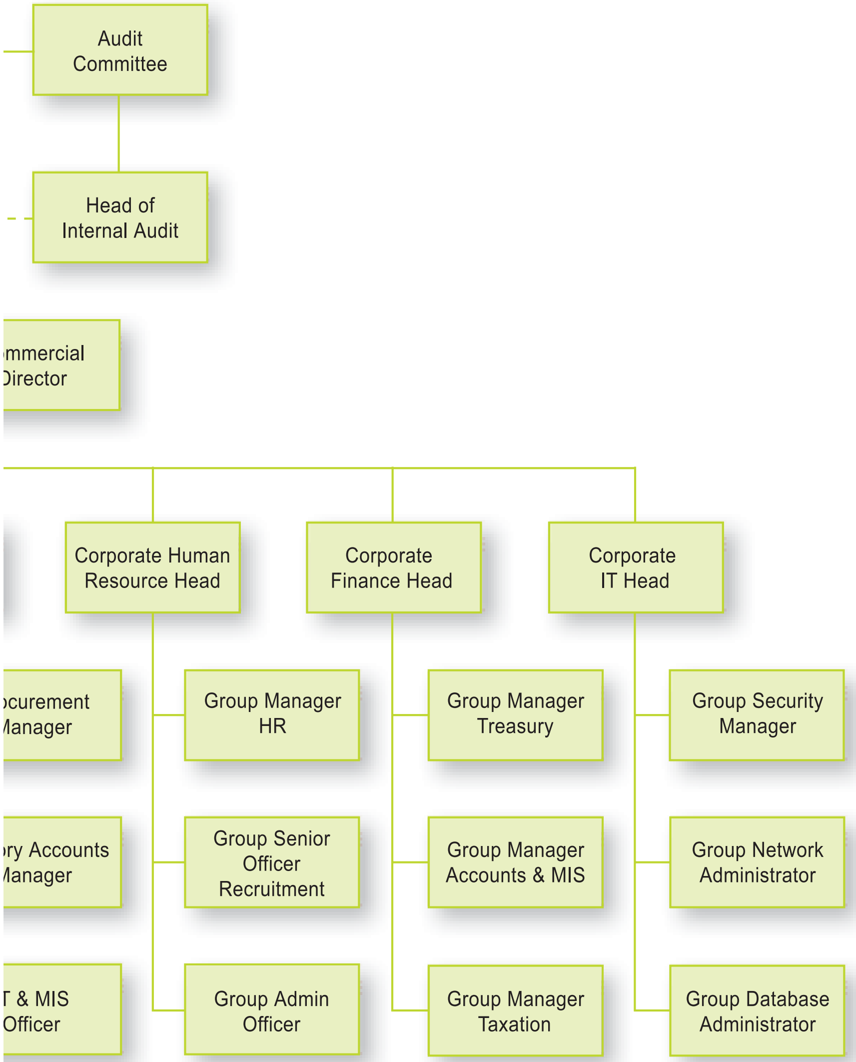
Ahsan M. Saleem
Chief Executive
31 July 2007

Major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

Crescent Steel & Allied Products Ltd.

Management Structure



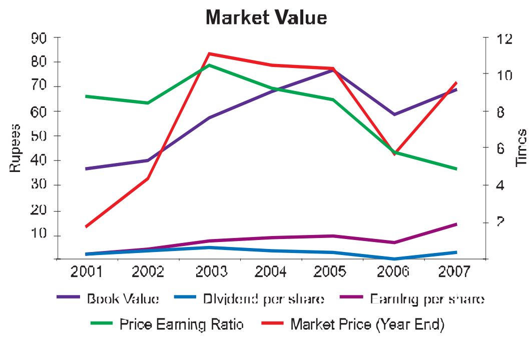

Audit Committee
Head of Internal Audit
mmercial Director
Corporate Human Resource Head
Corporate Finance Head
Corporate IT Head
curement Manager
Group Manager HR
Group Manager Treasury
Group Security Manager
ry Accounts Manager
Group Senior Officer Recruitment
Group Manager Accounts & MIS
Group Network Administrator
T & MIS Officer
Group Admin Officer
Group Manager Taxation
Group Database Administrator

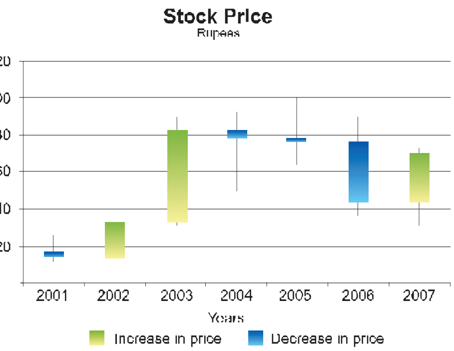
Financial Highlights

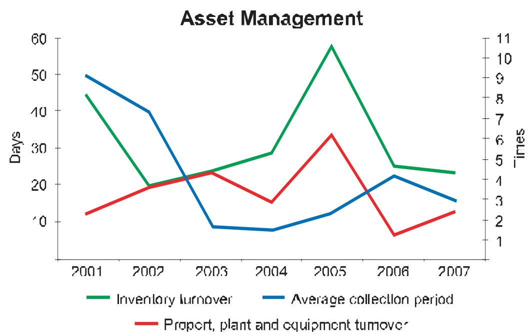
	2007	2006	2005	2004	2003	2002	2001
Operating Results (Rupees in million)							
Net sales	2950.1	1,707.1	2,686.6	1,348.1	1,738.9	1,291.1	820.9
Cost of sales	2439.7	1,566.8	2,314.7	1,173.9	1,398.0	1,055.2	741.1
Gross profit / (loss)	510.5	140.3	371.9	174.3	340.9	235.9	79.9
Investment income - net	411.4	332.9	176.4	221.2	113.5	46.2	34.2
Distribution, selling and administrative expenses	146.6	118.6	108.3	90.7	91.2	61.5	42.4
Other operating expenses	125.5	21.9	70.0	36.9	26.1	20.3	28.9
Other operating income, net	107.0	24.6	87.7	79.2	61.1	22.2	53.4
Operating profit / (loss)	756.7	357.3	457.7	347.1	398.2	222.5	96.1
Financial expenses	128.5	82.9	43.9	20.4	16.8	23.7	23.0
Share of profit / (loss) in associates	99.1	(11.9)	(19.5)	–	–	–	–
Pre tax profit/(loss)	727.3	262.4	394.2	326.7	381.4	198.7	73.1
Income tax	64.1	2.8	81.8	30.8	97.2	60.5	18.3
Net income	663.2	259.6	312.4	295.9	284.2	138.2	54.8
Dividend - including final proposed	140.0	–	72.9	77.3	100.5	60.0	30.0
Per Share Results and Return							
Earnings per share (Rupees)	14.6	7.4	8.9	8.4	8.1	3.9	1.6
Break-up value per share (Rupees)	68.6	58.2	76.6	68.8	57.8	39.3	35.7
Dividend per share - including final proposed (Rupees)	3.0	–	3.0	3.5	5.0	3.0	1.5
Dividend yield (%) - including final proposed	4.2	–	3.9	4.4	6.0	9.1	10.9
Dividend pay out (%) - including final proposed	21.1	–	23.3	26.1	35.4	43.4	54.8
Bonus shares (%) - including final proposed	10	20	20	10	10	–	–
Market value per share (Rupees)	71.0	43.5	77.0	78.9	83.0	33.0	13.7
Stock price range (Rupees)	72-32	90-37	100-64	93-50	90-30	32-14	24-12
Price earning ratio (times)	4.9	5.9	8.6	9.3	10.2	8.4	8.8
Financial Position (Rupees in million)							
Current assets	2,124.8	1,841.6	1,779.5	1,541.1	973.3	1,034.7	776.5
Current liability	1,077.1	1,127.1	468.9	370.9	260.3	584.4	382.3
Property, plant and equipment	1,306.6	1,381.1	441.8	467.8	410.5	355.3	366.7
Total assets	4,696.1	3,714.7	2,569.8	2,228.2	1,460.9	1,439.1	1,181.3
Long-term debt (excluding current maturity)	354.0	548.3	236.1	326.5	38.0	59.2	68.5
Deferred liabilities	64.6	1.6	3.9	10.6	–	5.1	12.8
Short-term debt (including current maturity of long-term debt)	625.8	876.9	233.5	156.2	100.6	80.2	151.7
Reserves	2,733.8	1,687.7	1,617.5	1,298.5	961.2	588.9	516.8
Shareholders' equity	3,200.4	2,037.7	1,860.5	1,519.4	1,162.1	789.7	717.7
Financial Ratios							
Gross profit / (loss) to sales (%)	17.3	8.2	13.8	12.9	19.6	18.3	9.7
Operating profit / (loss) to sales (%)	25.6	20.9	17.0	25.7	22.9	17.2	11.7
Net income to sales (%)	22.5	15.2	11.6	21.9	16.3	10.7	6.7
Return on average assets (%)	20.4	11.0	18.3	18.8	27.5	17.0	9.3
Return on average capital employed (%)	17.4	9.0	14.4	17.9	25.5	14.8	6.3
Return on average equity (%)	25.3	13.3	18.5	22.1	29.1	18.3	7.8
Current assets to current liabilities	2.0	1.6	3.8	4.2	3.7	1.8	2.0
Net current assets (working capital)	1,047.7	714.5	1,310.6	1,170.2	712.9	450.3	394.2
Long term debt to equity (%)	11.1	26.9	12.7	21.5	3.3	7.5	9.6
Total debt to total assets (%)	30.5	45.1	27.4	31.3	20.4	44.7	38.2
Interest coverage (times)	5.9	4.3	10.4	17.0	23.7	9.4	4.2
Average collection period (days)	15.9	22.2	11.4	8.4	8.7	39.5	49.7
Debtors turnover (times)	23.0	16.5	32.0	43.5	42.0	9.2	7.3
Inventory turnover (times)	4.4	4.7	10.6	5.3	4.4	3.7	8.1
Property, plant and equipment turnover (times)	2.3	1.2	6.1	2.9	4.2	3.6	2.2
Total assets turnover (times)	0.6	0.5	1.0	0.6	1.2	0.9	0.7
Other Data (Rupees in million)							
Depreciation / Amortization	172.6	99.4	84.5	84.2	82.9	63.6	52.7
Capital expenditure (including leased assets)	126.9	996.5	66.3	163.2	130.0	101.6	8.4
Common shares (no. of shares in million)	46.7	35.0	24.3	22.1	20.1	20.1	20.1

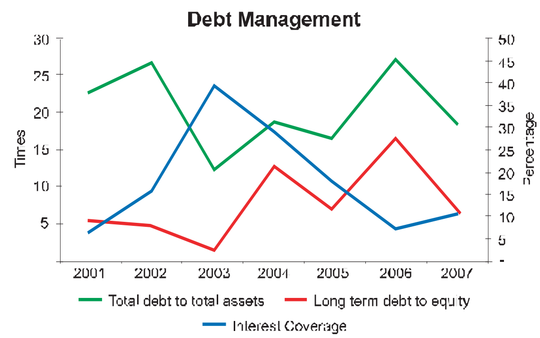
Crescent Steel &
Allied Products Ltd.

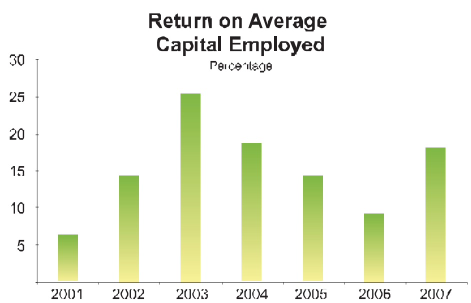
Financial Highlights

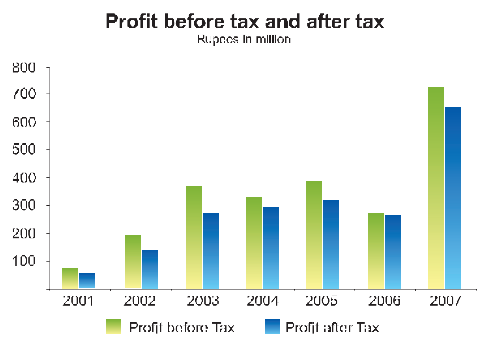


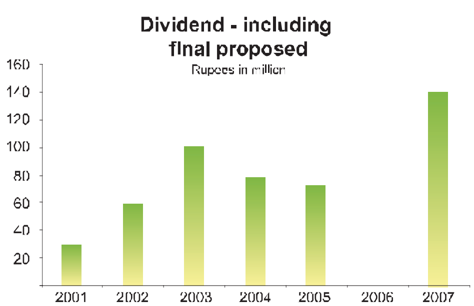


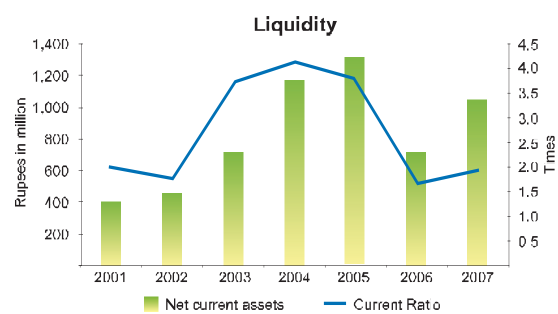












Board and Audit Committee Meetings
Attendance by the Directors / Members

During the year eight meetings of the board of directors were held. Attendance by each director was as follows:

Name of Director	No. of meetings attended
Mr. Mazhar Karim	2
Mr. Ahsan M. Saleem	8
Mr. Javed A. Callea	7
Mr. Javed Iqbal	6
Mr. Muhammad Anwar	3
Mr. Nasir Shafi	3
Syed M. Ehtishamullah	8
Mr. Zahid Bashir	5

During the year four meetings of the audit committee were held. Attendance by each of Audit Committe member was as follows:

Name of Member	No. of meetings attended
Mr. Javed A. Callea	3
Mr. Javed Iqbal	3
Mr. Nasir Shafi	1

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulations of the Stock Exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive Directors. At present the Board has six non-executive Directors out of which one is independent non-executive Director.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this company.

3. All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a DFI or an NBFI. None of them is a member of a Stock Exchange.

4. No casual vacancy occurred during the year ended June 30, 2007.

5. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

6. The Board has developed a vision/ mission statement, and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained. The corporate strategy of the Company is reviewed and approved by the Board alongwith the annual plan.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and an Executive Director have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board met eight times during the year ended June 30, 2007 including once in every quarter to approve the financial statements of the Company. Following the Best Practices of Corporate Governance, the Board met to discuss with the key members of the management team to assess the adequacy of controls, alignment of key managers with overall objective of the Company and to make an independent assessment of adequacy of succession. A separate meeting of the Board was held to approve the Annual Plan/Budget. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In-house orientations for the Directors were made to apprise them of their duties and responsibilities and to brief them of the amendments in the Companies Ordinance / Corporate Laws.

10. The Board has approved appointment of CFO / Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.

11. The Directors' Report for the year ended June 30, 2007 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

Statement of Compliance with the Code of Corporate Governance

12. The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company, other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors including the Chairman of the Committee. The Audit Charter of the Company requires that at least two members of the Audit Committee must be financially literate.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been framed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function. This function has been outsourced to Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

18. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses an minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

21. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board

Ahsan M. Saleem
Chief Executive

31 July 2007

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

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Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Crescent Steel and Allied Products Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2007.

KPMG Taseer Hadi

KPMG Taseer Hadi & Co.
Chartered Accountants.

31 July 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Crescent Steel and Allied Products Limited** as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KPMG Taseer Hadi

31 July 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants.

Balance Sheet

As at 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each (2006: 100,000,000 ordinary share of Rs. 10 each)		1,000,000	1,000,000
Issued, subscribed and paid-up capital	7	466,612	349,959
Capital reserves		792,518	316,322
Revenue reserves		1,941,273	1,371,417
		3,200,403	2,037,698
Non-current liabilities			
Long-term loan	8	280,354	392,591
Redeemable capital	9	73,652	147,753
Liabilities against assets subject to finance leases	10	–	7,970
Deferred taxation	11	64,584	1,635
Current liabilities			
Trade and other payables	12	435,080	229,887
Interest and mark-up accrued	13	16,150	20,272
Short-term borrowings	14	432,799	739,374
Current portion of long-term loan	8	112,500	56,250
Current portion of redeemable capital	9	75,000	75,000
Current portion of liabilities against assets subject to finance leases	10	5,544	6,319
		1,077,073	1,127,102
		4,696,066	3,714,749
Contingencies and commitments	15		

Balance Sheet
As at 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,306,641	1,381,110
Intangible assets	17	503	1,106
Long-term investments	18	1,259,546	485,191
Long-term deposits and prepayments	19	4,567	5,748
Current assets			
Stores, spares and loose tools	20	48,849	36,342
Stock-in-trade	21	633,452	468,519
Trade debts	22	181,408	75,147
Advances	23	83,119	221,325
Trade deposits and short-term prepayments	24	4,750	2,804
Current portion of long-term investments		10	10
Investments	25	1,040,919	827,350
Mark-up accrued	26	2,476	8,780
Other receivables	27	72,635	168,821
Taxation-net	28	20,192	16,738
Cash and bank balances	29	36,999	15,758
		2,124,809	1,841,594
		4,696,066	3,714,749

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Profit and Loss Account
For the year ended 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
Sales	30	2,950,120	1,707,132
Cost of sales	31	2,439,656	1,566,803
Gross profit		510,464	140,329
Investment income	32	411,402	332,890
		921,866	473,219
Distribution and selling expenses	33	13,286	14,813
Administrative expenses	34	133,362	103,825
Other operating expenses	35	125,543	21,868
		272,191	140,506
		649,675	332,713
Other income	36	107,002	24,558
Operating profit before financing costs		756,677	357,271
Finance costs	37	128,490	82,940
Share of profit / (loss) in associated undertakings		99,136	(11,922)
Profit before taxation		727,323	262,409
Taxation	38	64,145	2,790
Profit for the year		663,178	259,619
		(Rupees)	
Basic and diluted earnings per share	39	14.60	7.36

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

For the year ended 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	629,572	29,876
Taxes paid		(4,650)	(14,085)
Financial charges paid		(131,399)	(96,759)
Contribution to pension and gratuity fund		(6,571)	(5,556)
Payment for 10 C bonus		(483)	(483)
Liquidated damages paid		(427)	–
Increase in long-term deposits and prepayments		(17)	(1,546)
Net cash generated from / (used in) operating activities		486,025	(88,553)
Cash flows from investing activities			
Capital expenditure		(126,907)	(980,504)
Purchase of intangible assets		(194)	(802)
Proceeds from sale of property, plant and equipment		127,419	2,125
Investments - net		(435,910)	127,991
Dividends received		37,862	65,526
Interest received		6,015	7,616
Net cash used in investing activities		(391,715)	(778,048)
Cash flows from financing activities			
(Payment) / receipts against short term loans		(147,925)	360,000
Proceeds from issue of shares		466,612	–
(Repayment) / receipts against long term loan		(56,250)	448,687
Repayment of redeemable capital		(75,000)	(75,000)
Repayment of liabilities against assets subject to finance leases		(9,934)	(18,312)
Dividend paid		(91,922)	(33,268)
Net cash generated from financing activities		85,581	682,107
Net increase / (decrease) in cash and cash equivalents		179,891	(184,494)
Cash and cash equivalents at beginning of the year		(153,616)	30,878
Cash and cash equivalents at end of the year	41	26,275	(153,616)

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive

Director

Crescent Steel & Allied Products Ltd.

Statement of Changes in Equity

For the year ended 30 June 2007

	Issued, subscribed and paid-up capital	Capital reserve: Share Premium	Capital reserve: Unrealised gain on remeasurement of available for sale investment securities	Capital reserve: Others*	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees in '000)						
Balance as at 1 July 2005	**243,027**	**–**	**173,748**	**200,724**	**921,000**	**322,033**	**1,860,532**
Changes in equity for the year ended 30 June 2006							
Unrealised loss on available for sale investment securities	–	–	(9,865)	–	–	–	(9,865)
Realised gain on sale of investments	–	–	(57,903)	–	–	–	(57,903)
Proportionate share of various reserves of associated undertakings	–	–	–	9,618	–	–	9,618
Profit for the year	–	–	–	–	–	259,619	259,619
Total recognised income and expenses for the year	–	–	(67,768)	9,618	–	259,619	201,469
Dividend final 2005 (10%)	–	–	–	–	–	(24,303)	(24,303)
Issuance of bonus shares final 2005 (20%)	48,605	–	–	–	–	(48,605)	–
Issuance of bonus shares interim 2006 (20%)	58,327	–	–	–	–	(58,327)	–
Balance as at 30 June 2006	**349,959**	**–**	**105,980**	**210,342**	**921,000**	**450,417**	**2,037,698**
Changes in equity for the year ended 30 June 2007							
Unrealised gain on available for sale investment securities	–	–	193,126	–	–	–	193,126
Realised gain on sale of investments	–	–	(54,581)	–	–	–	(54,581)
Proportionate share of various reserves of associated undertakings	–	–	–	(19,828)	–	–	(19,828)
Reclassification for better presentation, inadvertently classified in previous years	–	–	49,693	(49,693)	–	–	–
Reversal of proportionate share of reserve on disposal of shares	–	–	–	7,520	–	–	7,520
Profit for the year	–	–	–	–	–	663,178	663,178
Total recognised income and expenses for the year	–	–	188,238	(62,001)	–	663,178	789,415
Issuance of right shares	116,653	349,959	–	–	–	–	466,612
Transfer to general reserve	–	–	–	–	421,000	(421,000)	–
Dividend - First interim 2007 (10%)	–	–	–	–	–	(46,661)	(46,661)
Dividend - Second interim 2007 (10%)	–	–	–	–	–	(46,661)	(46,661)
Balance as at 30 June 2007	**466,612**	**349,959**	**294,218**	**148,341**	**1,342,000**	**599,273**	**3,200,403**

*This represents various reserves maintained by the associated undertakings

The annexed notes 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements
For the year ended 30 June 2007

1. LEGAL STATUS AND OPERATIONS

1.1 Crescent Steel and Allied Products Limited (the Company) was incorporated on 1 August 1983 as a public limited company in Pakistan under Companies Act 1913 (now Companies Ordinance 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at 4th floor, Crescent Standard Tower, 10-B, Block E-2, main Boulevard, Gulberg-III, Lahore.

1.2 The Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The company has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.

1.3 The Company acquired a running spinning unit of 14,400 spindles (now 19,680 spindles) at Jaranwala (District Faisalabad) on 30 June 2000 from Crescent Jute Products Limited. Another spinning unit CCP-II was added with 25,344 spindles in 2006. The cotton spinning activity is carried out by the Company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited".

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved Accounting Standards comprise of such International Financial Reporting Standards as notified under the provisions of the Ordinance and the directives issued by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these Standards, the requirements of the Companies Ordinance, 1984 or the said directives take precedence.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared on the historical cost basis except for the following:
- derivative financial instruments are stated at fair value (refer para 6.9.4)
- investments classified as held for trading are stated at fair value (refer para 6.9.1)
- investments classified as available for sale are stated at fair value (refer para 6.9.1)
- certain assets are stated at cost plus borrowing cost (refer para 6.15)

The method used to measure fair values are discussed in respective notes.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 48 to these financial statements.

5. NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures;
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 8 - Scope of IFRS 2 Share-based Payments;
- IFRIC 9 - Reassessment of Embedded Derivatives;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

6.2 Employee benefits

6.2.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

6.2.2 Post retirement benefits

6.2.2.1 Defined contribution plan

Provident fund

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Company and its employees. Obligation for contributions to the fund are recognized as an expense in profit or loss when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25 percent of the basic pay plus Cost of Living Allowance (COLA) of cotton division employees. A trust has been established and its approval has been obtained from Commissioner of Income Tax.

All Employees except cotton segment

Contributions to the Fund are made at the rate of 8.33 percent of basic pay plus cost of living allowance (COLA) for those employees who have served the company for a period less than five years and after completion of five years, contributions are made at the rate of 10 percent.

6.2.2.2 Defined benefit plans

Pension and gratuity fund

The company operates pension and gratuity fund schemes for its permanent management employees as per the terms of employment.

The pension scheme provides life time pension to retired employees or to their spouses.

Contributions are paid to the pension and gratuity funds on the basis of actuarial recommendations. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Company's obligations and the fair value of plan assets are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service costs is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the unrecognized actuarial losses and unrecognized past service cost plus the present value of available refunds and reduction in future contributions to the plan.

6.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

6.5 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

6.6 Dividend

Dividend is recognized as a liability in the period in which it is declared.

6.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except free hold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Free hold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on straight line basis at the rates specified in note 16 to these financial statements. Depreciation on additions to Property, plant and equipment is charged from the month in which an item is acquired or capitalised while no depreciation is charged for the month in which the item is disposed off.

Impairment

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment properties of the Company comprise buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairments loss.

Depreciation on buildings is charged to profit on the straight line method so as to write off the depreciable amount of building over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

6.8 Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditures

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Amortization on additions to Intangible assets is charged from the month in which an item is acquired or capitalised while no amortization is charged for the month in which the item is disposed off.

Impairment

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

6.9 Investments

6.9.1 Investments are being categorized as follows:

Investment at fair value through profit or loss

A non-derivative financial assets is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognised in profit or loss when incurred.

Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Investments classified as held to maturity are recognized initially at cost, plus attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Loans and advances originated by enterprise

Loans and advances originated by enterprise are recognized initially at cost, plus attributable transaction cost. Subsequent to initial recognition, loans and advances originated by enterprise are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Investments in associate - Equity Method

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the Company's profit and loss account. Distribution received from investee reduces the carrying amount of investment. The changes in the associate's equity which are not been recognised in the associates' profit and loss account, are recognised directly in the equity of the Company.

Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available for sale investments are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

All investments classified as available for sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments is estimated based on appropriate valuation method if it is practicable to determine it.

6.9.2 Fair value of listed securities are the quoted prices on stock exchange at balance sheet date.

6.9.3 The Company follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in future market, which are accounted for at settlement date.

6.9.4 Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates.The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently. No derivative is designated as hedging instrument by the Company.

6.10 Stores and spares

Stores and spares are valued on a weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the ‘plant and machinery’ category and are depreciated over a time period not exceeding the useful life of the related assets.

6.11 Stock in trade

Stock in trade is stated at the lower of cost and net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. Goods-in-transit are valued at actual cost accumulated to the balance sheet date. The cost of finished goods of steel segment is measured on the specific identification method. Scrap stocks are valued at their estimated net realizable value.

6.12 Trade debts and other receivables

These are originated by the Company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

6.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

6.14 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. The Company also recognizes sales when it specifically appropriates deliverable goods against such confirmed orders where significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income relating to post acquisition profit, if practicable to determine, is recognized when the right to receive is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealised gain / (losses) arising on revaluation of securities classified as ‘held for trading’ are included in profit and loss account in the period in which they arise. Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to profit and loss account.

Loss arising from sale and lease back transactions are recognized through profit and loss account immediately. Gain on sale and lease back transactions are treated as deferred income. The deferred income is being amortized over the respective periods of lease terms.

Rental income (net of any incentives given to lessees) from investment profit is recognised on a straight-line basis over the lease term.

6.15 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

6.16 Impairment

All Company’s assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

6.17 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

6.18 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

6.19 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007	2006			2007	2006
(Number of shares)				(Rupees in '000)	
22,230,188	10,564,900	Ordinary shares of Rs. 10 each fully paid in cash	7.1	222,302	105,649
24,430,965	24,430,965	Ordinary shares of Rs. 10 each fully issued as bonus shares		244,310	244,310
46,661,153	34,995,865			466,612	349,959

7.1 During the year, the Company issued 11,665,288 ordinary shares of Rs.10 each (one new share for three outstanding shares) at a premium of Rs. 30 per share.

7.2 Ordinary shares of the Company held by associated undertakings as at year end are as follows:

	2007	2006
	(Number of shares)	
Crescent Jute Products Limited	139,392	139,392
Shakarganj Mills Limited	2,330,630	1,350,472

8. LONG TERM LOAN

	2007	2006
	(Rupees in '000)	
Allied Bank Limited	448,841	450,000
Initial transaction cost	–	(1,313)
Amortization of initial transaction cost	263	154
Repayment	(56,250)	–
	392,854	448,841
Current portion	(112,500)	(56,250)
	280,354	392,591

8.1 The mark-up rate is 6 months KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on quarterly basis. The effective mark up charged during the year ranges from 11.6% to 12.5% (2006: 11.0% to 11.6%).

The tenor of the loan is five years. Principal is repayable on quarterly basis with one year grace period. Call option is exercisable after 18 months by the bank. The loan was disbursed on 17 December 2005.

This facility has been secured against first equitable mortgage pari passu charge on all present and future fixed assets including land and building with 25% margin.

9. REDEEMABLE CAPITAL - secured (non-participatory)

	2007	2006
	(Rupees in '000)	
Term Finance Certificates (TFCs)		
Balance as at 1 July	222,753	221,854
Transaction cost amortised	899	899
Redemption	(75,000)	–
	148,652	222,753
Current portion	(75,000)	(75,000)
Balance as at 30 June	73,652	147,753

9.1 The Company issued term finance certificates for Rs.300 million in 2004. These TFCs are not listed. The Company has a call option exercisable at par, in multiples of Rs.50 million or whole with 60 days advance notice. TFCs outstanding as at year end, excluding amortization of transaction cost are as follows:

	2007	2006
	(Rupees in '000)	
Commercial Banks	107,500	161,250
Financial Institution	42,500	63,750
	150,000	225,000

9.2 Principal purpose for the use of subscription money

The TFCs were issued to carry on the business authorized by the Company's Memorandum and Articles of Association.

9.3 Redemption of TFCs

The terms of redemption are as under :

Tenor		5 years
Expected profit rate	9.3.1	Base rate plus 250 bps
Floor		None
Cap		9%
Principal redemption		Principal redemption has started from 7 July 2006 in 8 equal semi annual installments.

9.3.1 The base rate is defined as the cut off yield on the last successful SBP auction of the six months T-Bills. The base rate for the first coupon payment will be set on the last working day prior to disbursement and subsequently on the last working day at the beginning of each semi annual period for the profit due at the end of that semi annual period.

9.4 Security

The TFCs have been secured by pari passu charge by way of hypothecation on all present and future assets of the Company to the tune of outstanding TFCs amount with a 25% margin.

9.5 Trustee

In order to secure the interest of the TFC holders, Orix Investment Bank Pakistan Limited has been appointed to act as trustee for the issue. The trust deed dated 22 December 2003 between the Company and Orix Investment Bank Pakistan Limited, specifies the rights and obligations of the trustees. The deed requires that the trustee will ensure the safeguard of interest of TFC holders and adherence to terms and conditions of the security documents.

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Company has acquired plant and machinery and vehicles under finance lease agreements. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	2007			2006		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	(Rupees in '000)					
Minimum lease payments	5,932	–	5,932	7,203	8,332	15,535
Financial charges	(388)	–	(388)	(884)	(362)	(1,246)
	5,544	–	5,544	6,319	7,970	14,289
Current portion	(5,544)	–	(5,544)	(6,319)	–	(6,319)
	–	–	–	–	7,970	7,970

11. DEFERRED TAXATION

	2007	2006
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of temporary taxable differences due to :		
Accelerated tax depreciation / amortisation	199,116	177,109
Finance lease arrangements	1,560	212
Provisions for stock in trade and stores and spares	(25,920)	(11,940)
Provisions for doubtful debts, advances and other receivables	(32,121)	(12,675)
Provisions for impairment in unquoted available for sale investments	(9,058)	(9,058)
Current year tax loss	(82,187)	(141,629)
Share of profit /(loss) from investments in equity accounted undertakings	13,194	(384)
	64,584	1,635

12. TRADE AND OTHER PAYABLES

		2007	2006
		(Rupees in '000)	
Trade creditors		268,047	109,033
Commission payable		2,434	1,651
Accrued liabilities	12.1	39,572	37,409
Provisions	12.2	44,631	35,642
Advances from customers		15,460	11,077
Retention money		3,808	3,809
Due to associated undertakings	12.3	12,973	12,810
Payable to provident fund		803	132
Unclaimed dividend		8,129	6,729
Sales tax payable		138	–
Workers Welfare Fund		14,849	–
Workers Profit Participation Fund		11,741	–
Withholding tax payable		352	592
Customer's security deposit		4,556	1,531
Others		7,587	9,472
		435,080	229,887

12.1 Accrued liabilities

Salaries, wages and other benefits	9,581	6,183
Accrual for 10C bonus	662	593
Leave encashment	6,180	4,629
Accruals	23,149	26,004
	39,572	37,409

12.2 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
	(Rupees in '000)			
	(Note 12.2.1)	(Note 12.2.2)	(Note 12.3.3)	
Opening balance 1 July 2006	26,400	3,242	6,000	35,642
Provision for the year	5,900	–	3,089	8,989
Closing balance 30 June 2007	32,300	3,242	9,089	44,631

12.2.1 This has been made against infrastructure fee levied by Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has provided bank guarantees amounting to Rs. 36.0 million (2006: 26.4 million) in favour of Excise and Taxation Department. However, the Company is contesting this issue in High Court. Current year charge has been calculated on the value of imports during the year.

12.2.2 These have been made against sales tax claims long outstanding with the sales tax department.

12.2.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods. The company is in process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been made.

12.3 This represents expenses incurred by associated undertakings on behalf of the Company and insurance premium payable to associated undertaking.

13. INTEREST AND MARK-UP ACCRUED

	2007	2006
	(Rupees in '000)	
- on Long-Term Loan	2,490	2,706
- on Term Finance Certificates	6,436	9,653
- on Running Finance and short term loans	7,184	7,845
- on Leases	40	68
	16,150	20,272

14. SHORT-TERM BORROWINGS

Secured From Banking Companies

		2007	2006
Running finances under mark-up arrangements			
Standard Chartered Bank (Pakistan) Limited	14.1	10,724	89,920
Allied Bank Limited	14.2	–	29,812
MCB Bank Limited	14.3	–	49,642
Short-term loans / Murabaha			
Allied Bank Limited	14.2	150,000	320,000
MCB Bank Limited	14.3	–	250,000
Meezan Bank Limited - Murabaha	14.4	272,075	–
		432,799	739,374

14.1 Standard Chartered Bank (Pakistan) Limited

The facilities for running finance available amount to Rs. 325 million (2006: Rs. 325 million). The rate of mark-up is 3 months KIBOR (Ask) plus 1.75 percent with a floor of 9 percent per annum (2006: 9.0 percent per annum). The mark-up is payable quarterly.

The facility for opening letters of credit and guarantees as at 30 June 2007 amounts to Rs. 600 million (2006: Rs. 600 million).

The facility for purchase or discounting of clean or discrepant export bills as at 30 June 2007 amounts to Rs. 25 million (2006: Rs. 25 million).

The above facilities are secured against pledge on stocks of raw cotton with 25% margin to the extent of Rs.400 million, pledge on shares of public limited companies acceptable to the bank with 30% to 50% margins and first pari passu charge on the stocks and book debts of the company for Rs. 600 million, lien over import documents and lien over export L/C.

14.2 Allied Bank Limited

The Company has obtained short-term running finance facility interchangeable with demand finance money market transaction amounting to Rs. 350 million (2006: Rs. 350 million). The mark-up rate for running finance facility is three months KIBOR on the last working day of the previous quarter plus 2 percent per annum. Mark-up on demand finance - money market transaction is one month KIBOR (Ask) plus one percent. Mark-up is payable on quarterly basis. This facility will remain valid till 31 December 2007.

The company has obtained facility for opening letter of credit and guarantees as at 30 June 2007 amounting to Rs. 400 million (2006 : Rs. 400 million) however, the facility is unavailed as at 30 June 2007.

The running finance facility has been secured against first pari passu charge on the current assets with existing charge holders with 25% margin on the facility amount.

The facility for letter of credit is secured against lien over import documents and accepted bills of exchange / trust receipt.

14.3 MCB Bank Limited

The Company has availed the facilities for running and demand finance amounting to Rs. 50 million and Rs. 250 million respectively (2006 :Rs.250 million). The mark-up rate is 1 month KIBOR plus 1.5 percent for running finance facility and 1 month KIBOR plus 2 percent for demand finance facility. These facilities will remain valid till 30 September 2007.

The facility for opening letters of credit and guarantees as at 30 June 2007 amounted to Rs. 950 million (2006: Rs. 400 million) and is secured against lien over import documents.

The demand finance term loan is secured against pledge on stocks of raw cotton with 25% margin to the extent of Rs. 400 million, pledge of shares of public limited companies acceptable to the bank with 30% to 50% margin.

The facility for running finance is secured against first pari passu hypothecation charge for Rs. 316.67 million over present and future stocks and book debts and plant and machinery, pledge of shares of first class companies, pledge of stocks of local cotton / cotton bales imported, man-made fibre and yarn with 15% margin.

14.4 Meezan Bank Limited

The facility for Istijrar (Master Murabaha Facility) amounted to Rs.320 million (2006: Rs. 325 million). The rate of mark-up is to be agreed for each sub-morabaha (KIBOR based).

The facility for opening letter of credit and guarantees as at 30 June 2007 amounted to Rs. 580 million (2006 : Rs. 500 million).

These facilities are secured against first pari passu charge over stocks and book debts of the Company with 25% margin on the facility amount.

15. CONTINGENCIES AND COMMITMENTS

15.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton segment under Clause 15 of the Scheme to the Companies Profit (Workers' Participation) Act, 1968 has granted the permission for the same. The Ministry has, however, asked the Company to deposit an amount of Rs. 47.85 million on account of Workers Profits Participation Fund for the period between 1990 to 1997. This demand is being contested by the Company as there were no eligible workers. The management, based on the advice of the legal counsel, is confident of favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.

15.2 The Company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import licence fee at 6% against import of coating plant in 1992. The Company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2 % of import licence fee. The company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The Company has filed the appeal with Honourable Supreme Court, which has been admitted for hearing. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.

15.3 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 285,184 and Rs. 620,573 respectively. The Company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained the SITE from taking any adverse action against the Company. Therefore, management considers that the case would be decided in Company's favour and no provision is required.

15.4 Aggregate amount of guarantees given by the banks on behalf of the Company in respect of the performance of various contracts aggregated Rs. 470.68 million (2006: Rs. 341.30 million).

15.5 The Company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million (2006: Rs. 3.27 million) from Indus Steel Pipes Limited against supply of pipes. The High Court has decided the case in the Company's favour, however, the Company has not filed any execution petition for the recovery of said amount.

15.6 Commitments in respect of capital expenditure contracted for as at 30 June 2007 amounted to Rs. 3.11 million (2006: Rs. 39.60 million).

15.7 Commitments under letters of credit as at 30 June 2007 amounted to Rs. 242.87 million (2006: Rs. 106.33 million).

15.8 Commitment in respect of capital expenditure to be incurred on leasehold land, which has been provisionally allotted to the Company in the Downstream Industrial Estate of Pakistan Steel, Bin Qasim amounting to Rs.24.2 million (2006 : Rs.nil). Further, the Company has booked a office premises in Islamabad. The amount of Rs.30.85 million is payable over the period of six years in 24 quarterly installments.

15.9 Commitments in respect of future purchase of shares amounting to Rs. 5.33 million (2006: Rs. 15.29 million).

16. PROPERTY, PLANT AND EQUIPMENT

		2007	2006
		(Rupees in '000)	
Operating fixed assets	16.1	1,236,790	1,128,378
Capital work in progress	16.4	69,851	252,732
		1,306,641	1,381,110

16.1 Operating fixed assets

Description		Land		Buildings		Office
		Freehold	Leasehold including improvement	On freehold Land	On Leasehold Land	premises
		(Rupees in '000)				
Net carrying value as at 1 July 2006						
Opening net book value (NBV)		60,906	6,886	25,509	15,175	18,416
Additions / transfer	16.1.1	8,336	–	202,281	–	–
Disposals / transfer (at NBV)	16.5	–	–	–	–	–
Depreciation charge		–	(82)	(17,000)	(2,541)	(2,681)
Balance as at 30 June 2007 (NBV)		69,242	6,804	210,790	12,634	15,735
Gross carrying value as at 30 June 2007						
Cost		69,242	8,160	243,373	69,007	40,433
Accumulated depreciation		–	(1,356)	(32,583)	(56,373)	(24,698)
Net book value		69,242	6,804	210,790	12,634	15,735
Net carrying value as at 1 July 2005						
Opening net book value (NBV)		12,067	6,970	28,853	18,625	21,670
Additions / transfer		48,839	–	724	–	–
Disposals / transfer (at NBV)		–	–	–	–	–
Adjustments (at NBV)		–	–	–	–	–
Depreciation charge		–	(84)	(4,068)	(3,450)	(3,254)
Balance as at 30 June 2006 (NBV)		60,906	6,886	25,509	15,175	18,416
Gross carrying value as at 30 June 2006						
Cost		60,906	8,160	41,092	69,007	40,433
Accumulated depreciation		–	(1,274)	(15,583)	(53,832)	(22,017)
Net book value		60,906	6,886	25,509	15,175	18,416
Depreciation rate % per annum		–	1	–	5	10

Plant and Machinery		Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles		TOTAL
Owned	Lease				Owned	Leases	
(Rupees in '000)							
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
55,028	–	7,049	512	1,015	10,210	(2,413)	282,018
–	–	–	(4)	–	(958)	–	(962)
(128,554)	(2,000)	(2,530)	(495)	(9,319)	(6,960)	(482)	(172,644)
861,125	10,000	13,901	1,785	17,882	16,892	–	1,236,790
1,552,343	20,000	29,809	14,285	40,872	47,320	–	2,134,844
(691,218)	(10,000)	(15,908)	(12,500)	(22,990)	(30,428)	–	(898,054)
861,125	10,000	13,901	1,785	17,882	16,892	–	1,236,790
275,877	32,000	6,352	2,506	1,927	16,130	5,910	428,887
729,964	(18,000)	3,774	314	26,720	5,854	–	798,189
–	–	–	–	(14)	(1,165)	–	(1,179)
(81)	–	1,259	(241)	(1,060)	–	–	(123)
(71,109)	(2,000)	(2,003)	(807)	(1,387)	(6,219)	(3,015)	(97,396)
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
1,497,315	20,000	22,760	13,802	39,857	37,944	11,940	1,863,216
(562,664)	(8,000)	(13,378)	(12,030)	(13,671)	(23,344)	(9,045)	(734,838)
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
5 - 20	10	5 & 20	10	33.33	20	20 & 33.33	

16.1.1 Addition to freehold land represents land measuring 1.976 acres (71,150 square feet) provisionally allotted to the Company in Woven Garment Zone Value Addition City by Faisalabad Industrial Estate Development Management Company (FIEDMC), which is owned by the Government of Punjab. Final sale deed execution in Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

16.2 The depreciation charge for the year has been allocated as follows:

		2007	2006
		(Rupees in '000)	
Cost of sales	31.1	156,402	86,104
Distribution and selling costs	33	382	306
Administrative expense	34	15,860	10,986
		172,644	97,396

16.3 Net book value of plant and machinery includes book value of Rs. 2.08 million (2006: 2.62 million) of capitalised spares.

16.4 CAPITAL WORK-IN-PROGRESS

		2007	2006
		(Rupees in '000)	
Plant and machinery		3,600	17,877
Civil work	16.4.1	66,251	234,855
		69,851	252,732

16.4.1 This represents office premises, apartment and warehouse which are in the process of construction. The transfer of legal title of office premises in the name of Company is in process.

16.5 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
	(Rupees in '000)					
Furniture and fixtures	28	25	3	–	Demolished	–
Motor vehicles	609	244	365	487	Company Scheme	Mr. Farrukh Hussain (ex-employee)
	345	345	–	450	Negotiation	Anjum Motors, Karachi
	380	158	222	300	Company Scheme	Mr. Misbah-u-din (ex-employee)
	504	504	–	175	Company Scheme	Mr. Hafiz ur Rehman (ex-employee)
	64	15	49	51	Company Scheme	Mr. Fayaz Ahmed (ex-employee)
	555	518	37	366	Negotiation	Mr. Sultan, Karachi.
	1,378	1,378	–	375	Negotiation	Mr. Mir Ansar, Karachi.
	447	253	194	291	Company Scheme	Mr. Jamal Hamid (ex-employee)
	1,230	1,210	20	425	Negotiation	Anjum Motors, Karachi
	4,849	4,777	72	1,649	Company Scheme	Various
	10,389	9,427	962	4,569		
Office Premises (Capital work in progress)-note 16.5.1	27,770	–	27,770	122,850	Negotiation	JS Finance Limited, Karachi.
2007	38,159	9,427	28,732	127,419		
2006	3,981	2,802	1,179	2,125		

16.5.1 This represents office premises in Dolmen City Executive Tower, KDA Scheme-5, Clifton, Karachi.

17. INTANGIBLE ASSETS

	Note	2007	2006
		(Rupees in '000)	
Net carrying value as at 1July			
Net book value at 1 July		1,106	4,989
Additions (at cost)		194	802
Amortization	17.1	(797)	(2,045)
Impairment charge	17.1	–	(2,640)
Net book value at 30 June		503	1,106
Gross carrying value at 30 June			
Cost		11,116	10,922
Accumulated amortization		(10,613)	(9,816)
Net book value		503	1,106

17.1 The amortization charge and impairment loss for the year has been allocated as follows:

	Note	2007	2006
Cost of sales	31.1	343	573
Administrative expenses	34	454	1,472
Other operating expenses	35	–	2,640
		797	4,685

18. LONG - TERM INVESTMENTS

	Note	2007	2006
Related Parties			
Investment in equity accounted undertakings	18.1	1,027,316	400,313
Held to maturity	18.2	29,994	29,994
Available for sale	18.3	–	–
Others			
Available for sale	18.4	175,435	28,073
Held to maturity	18.5	26,801	26,811
		1,259,546	485,191

Investments in Related Parties

18.1 Investments in equity accounted undertakings

The following associates, over which the Company has significant influence either due to representation on investee Company's board or percentage of holding of voting power or both, are accounted for using equity method of accounting as defined in IAS-28 "Investments in Associates".

2007	2006			2007	2006
(Number of shares)				(Rupees in '000)	
		Quoted			
60,475,416	10,423,875	Altern Energy Limited (Chief Executive Officer - Sheikh Muhammad Iqbal)	18.1.1	701,006	96,603
6,193,082	3,881,081	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)		294,144	259,169
–	983,490	Crescent Leasing Corporation Limited (Chief Executive Officer - Mr. Shahnawaz Rizvi)	18.1.3	–	13,837
				995,150	369,609
		Unquoted			
352,625	227,500	Central Depository Company of Pakistan Limited (Chief Executive Officer - Mr. Mohammad Hanif Jakhura)		32,166	30,704
				1,027,316	400,313

18.1.1 During the year, the Company sold 9,070,258 shares of Altern Energy Limited (AEL) to Descon Engineering Limited through an agreement dated 28 August 2006. This resulted in change in Company's shareholding in AEL form 47.17% to 6.12%. Subsequently, the Company acquired 23,158,312 shares through part subscription to the right issue offered by AEL, 20,681,269 shares from other shareholder of AEL and 15,282,218 shares through underwriting arrangement. As a result of these transactions, the shareholding of the Company increased from 6.12% to 17.65%. For the purpose of equity accounting as required under IAS - 28 "Investment in Associates" it has been treated as associate due to Company's representation on the board of directors of investee company.

18.1.2 During the year, the Company reassessed its relationship with all associated undertakings and as a result, it no longer accounts for its investment in Crescent Commercial Bank Limited on equity method as this company does not fall within the scope of the IAS 28 'Investments in Associates'. Consequently, in line with the Company's accounting policy, this investments has been designated as "available for sale" and measured at fair value from the date Company ceased to have significant influence as per the requirements of IAS28.

18.1.3 During the year, Company sold the shares of Crescent Leasing Corporation Limited to Al-Zamin Leasing Modaraba.

18.1.4 The above figures are based on unaudited condensed financial statements of these companies upto the period ended 31 March 2007.

18.1.5 Market value of investments in associates are as follows:

	2007	2006
	(Rupees in '000)	
Quoted		
Altern Energy Limited	1,058,320	80,785
Shakarganj Mills Limited	315,847	106,730
	1,374,167	187,515
Unquoted		
Central Depository Company of Pakistan Limited **	18,134	15,274
	1,392,301	202,789

** Break-up value of share is based on latest available unaudited condensed financial statement for nine months period ended 31 March 2007.

18.1.6 Percentage holding of equity investments in associates are as follows:

	2006	2005
	%	
Quoted		
Altern Energy Limited	17.65	47.17
Shakarganj Mills Limited	10.69	7.50
Unquoted		
Central Depository Company of Pakistan Limited	1.75	1.75

18.1.7 Summarised financial information of associated companies as at 31 March 2007 where there is significant influence is as follow:

Name of investee company		Total Assets	Total Liabilities	Revenuse	Profit / (loss)
		(Rupees in '000)			
2007					
Altern Energy Limited	18.1.7.1	27,668,509	21,226,633	5,175,902	1,137,437
Shakarganj Mills Limited	18.1.7.2	12,783,052	9,564,228	3,413,231	(31,284)
Central Depository Company of Pakistan Limited		1,275,547	239,319	–	183,825
2006					
Altern Energy Limited		650,426	598,749	–	(65,298)
Shakarganj Mills Limited		12,346,974	8,979,149	3,996,077	179,664
Central Depository Company of Pakistan Limited		1,093,921	220,980	648,978	270,306

18.1.7.1 These figures are based on the latest available summarised consolidated condensed interim financial statement as at 31 March 2007 including its subsidiary company (Rousch Pakistan Limited).

18.1.7.2 These figures are based on the latest available summarised consolidated condensed interim financial statement as at 31 March 2007 including its wholly owned subsidiary company (Shakarganj Foods Products Limited).

18.2 Held to maturity

This represents 2,999,400 Preference shares of Rs. 10 each of Shakarganj Mills Limited issued in October 2004. These shares carry dividend rate of 8.5% per annum payable annually. The preference shares will be redeemed after five years from the date of issue.

The preference shares are convertible into ordinary shares of Rs.10 each. The conversion option is exercisable at the end of every financial year of the investee company.

18.3 Available-for-sale

2007	2006			2007	2006
(Number of shares)				(Rupees in '000)	
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	18.3.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	18.3.2	10,470	10,470
				34,507	34,507
		Provision for impairment loss		(34,507)	(34,507)
				–	–
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	18.3.3	–	–
				–	–

18.3.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares could not be ascertained as the latest financial statements of the company are not available.

18.3.2 The chief executive of Crescent Industrial Chemicals Limited is Mr. Tariq Shafi. The company's break up value of shares could not be ascertained as the financial statements of the company are not available.

18.3.3 The investment in a subsidiary is Rs. 90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

Other

18.4 Available-for-sale

2007	2006			2007	2006
(Number of shares)				(Rupees in '000)	
		Quoted			
7,814,456	9,103,956	Crescent Commercial Bank Limited	18.1.2	175,435	28,073
				175,435	28,073

18.5 Held to maturity

	Note	2007	2006
		(Rupees in '000)	
Redeemable Capital - Term Finance Certificates (TFCs)	18.5.1	24,965	24,975
Maple Leaf Cement Limited (Preference Shares)	18.5.2	1,836	1,836
		26,801	26,811

18.5.1 Redeemable capital - Term Finance Certificates (TFCs)

	Note	2007	2006
United Bank Limited			
(5,000 TFCs of Rs. 5,000 each)	18.5.3	24,975	24,985
Current maturity shown under current assets		(10)	(10)
		24,965	24,975

18.5.2 Preference shares have a face value of Rs. 10 each and carry dividend rate of 9.75% per annum. These preference shares will mature after five years from the date of issuance i.e.14 December 2004.

18.5.3 This represents investments in Term Finance Certificate issued on 10 February 2004 by United Bank Limited. The tenor of the TFC is eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum.

19. LONG-TERM DEPOSITS AND PREPAYMENTS

	2007	2006
	(Rupees in '000)	
Lease deposits	–	1,724
Security deposits	2,988	2,207
Prepayments	1,579	1,817
	4,567	5,748

20. STORES, SPARES AND LOOSE TOOLS

	Note	2007	2006
Stores - steel segment		8,724	5,523
Spare parts - steel segment	20.1	21,086	21,218
Loose tools - steel segment		634	519
Stores and spares - cotton segment	20.2	30,566	20,351
		61,010	47,611
Provision for slow moving items	20.3	(12,161)	(11,269)
		48,849	36,342

20.1 This includes items in-transit as at 30 June 2007 of Rs. 1.56 million (2006: Rs. 3.31 million).

20.2 This includes items in-transit as at 30 June 2007 of Rs.2.98 million (2006: Rs. 0.3 million).

20.3 Movement of provision for slow moving items

	2007	2006
	(Rupees in '000)	
Opening balance	11,269	9,082
Provision made during the year	892	2,187
Closing balance	12,161	11,269

21. STOCK-IN-TRADE

	Note	2007	2006
Raw materials			
Hot rolled steel coils (HR Coil)		199,872	132,423
Coating materials		101,919	19,076
Others - pipe plant		15,332	11,985
Raw cotton	21.1	138,547	178,665
Stock-in-transit	21.2	78,645	48,824
		534,315	390,973
Provision for slow-moving and obsolescence			
Hot rolled steel coils	21.3	(11,010)	–
Coating materials	21.3	(84)	(84)
Others	21.3	(191)	(191)
		(11,285)	(275)
		523,030	390,698
Work-in-process	31.1	43,482	10,290
Finished goods	31.1	90,290	66,325
Scrap / cotton waste		3,177	1,464
Provision for slow-moving and obsolescence finished goods	21.4	(26,527)	(258)
		110,422	77,821
		633,452	468,519

21.1 This includes raw cotton amounting to Rs.62 million (2006: Rs. 141.73 million) pledged as security with a financial institution.

21.2 This includes raw cotton amounting to Rs. 44.522 million (2006: Rs. nil).

21.3 Movements of provision for slow-moving and obsolescence of raw material

	2007			2006		
	H.R Coil	Coating / Others	Total	H.R Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	-	275	275	-	284	284
Provision / (reversal) during the year	11,010	-	11,010	-	(9)	(9)
Closing balance	11,010	275	11,285	-	275	275

21.4 Movements of provision for slow-moving and obsolescence of finished goods

	2007	2006
	(Rupees in '000)	
Opening balance	258	5,490
Provision / (reversal) made during the year	26,269	(5,232)
Closing balance	26,527	258

22. TRADE DEBTS

	Note	2007	2006
Secured			
Considered good		142,543	16,006
Unsecured			
Considered good	22.1	38,865	59,141
Considered doubtful		155	151
Provision for doubtful trade debts		(155)	(151)
		38,865	59,141
		181,408	75,147

22.1 This includes amount due from an associated undertaking of Rs.0.30 million (2006: Rs. 1.59 million).

23. ADVANCES

	Note	2007	2006
		(Rupees in '000)	
Considered good			
Advances to staff		628	104
Advances to others		–	12,114
Suppliers for goods and services		7,491	3,954
Related parties			
Advances against shares	23.1&23.2	75,000	205,153
Considered doubtful			
Advances to others		3,000	3,000
Provision for doubtful advances to others		(3,000)	(3,000)
		–	–
Suppliers for goods and services		290	321
Provision for doubtful advances	23.3	(290)	(321)
		–	–
		83,119	221,325

23.1 During the year, Company made an advance amounting to Rs. 15 million to Safeway Fund Limited, a related party against which shares will be issued, subject to regulatory approval.

23.2 The Company has entered into a pre-IPO agreement with Shahkarganj Foods Products Limited, a wholly owned subsidiary of Shahkarganj Mills Limited, on 18 February 2007 for subscription of 6 million ordinary shares amounting to Rs. 60 million. This has been approved in the Extraordinary General Meeting held on 27 December 2006.

23.3 Movement of provision for doubtful advances

	2007	2006
	(Rupees in '000)	
Opening balance	321	761
Provision reversed during the year	(31)	(440)
Closing balance	290	321

24. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2007	2006
Lease deposit	1,000	–
Security deposits	2,681	1,858
Prepayments	1,069	946
	4,750	2,804

25. INVESTMENTS

	Note	2007	2006
		(Rupees in '000)	
Related parties			
Held to maturity	25.1	42,000	85,313
Available for sale	25.2	28,377	8,262
		70,377	93,575
Others			
Available for sale	25.3	248,565	302,747
Held for trading	25.4	721,977	431,028
		970,542	733,775
		1,040,919	827,350

Investment in related parties

25.1 Held to maturity

Musharika Arrangements - Crescent Standard Modaraba

	2007	2006
Opening balance as at 1 July	85,313	212,000
Realised during the year	–	(126,687)
Impairment made during the year	(40,000)	–
Write off during the year	(3,313)	–
Closing balance as at 30 June	42,000	85,313

This represents investment under Musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis.

25.2 Available for sale - Related Parties

The company holds investments in ordinary shares of Rs. 10/- each, in the following listed investee companies:

2007	2006	Name of inestee company	Note	2007	2006
(Number of shares)				(Rupees in '000)	
		Quoted			
411,254	373,868	Crescent Textile Mills Limited		28,377	8,262
91,300	91,300	Crescent Jute Products Limited	25.2.1	–	–
				28,377	8,262

25.2.1 Investments in Crescent Jute Products Limited is carried at their break up value, which is Rs. nil per share, as this company is on the defaulters counter of Karachi Stock Exchange. The break up value has been calculated on the basis of the financial statements for the period ended 31 December 2004.

25.3 Available for sale - Others

The Company holds investments in ordinary shares of Rs. 10 each, unless stated otherwise, in the following listed investee companies:

2007	2006	Name of investee company		2007	2006
(Number of shares/units)				(Rupees in '000)	
		Quoted			
6,435,000	–	Asian Stock Fund		30,245	–
34,500	50,000	Cherat Cement Limited		1,949	3,250
399,225	399,225	Crescent Standard Investment Bank Limited	25.3.1	–	1,657
192,391	192,391	Fauji Fertilizer Company Limited		23,327	23,279
185,000	190,000	Hub Power Company Limited		6,790	4,370
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	25.3.1	–	–
8,993	7,820	National Bank of Pakistan		2,356	1,685
38,000	33,633	National Investment Trust *		2,343	1,626
1,900	10,500	Nestle Milkpak Limited		2,936	11,577
–	206,045	Nishat Chunian Mills Limited		–	9,169
5,295	81,703	Packages Limited		1,689	17,105
95,090	139,540	Pakistan Oilfields Company Limited		30,144	46,718
3,346,000	3,346,000	Pakistan Strategic Allocation Fund		35,133	35,635
245,311	286,874	PICIC Growth Fund		8,292	9,065
175,000	300,000	PICIC Investment Fund		2,669	4,380
–	359,993	Pakistan Industrial Credit and Investment Corporation Limited	25.4.1	–	15,300
6,299,784	4,872,285	Safeway Mutual Fund		75,597	65,776
4,600	5,300	Siemens (Pakistan) Engineering Company Limited		7,981	6,254
8	8	Sui Northern Gas Pipelines Limited		1	1
156,771	115,620	The Pakistan Stock Market Fund *		17,113	13,163
–	195,300	Tripack Films Limited		–	10,165
–	11,880	Unilever Pakistan Limited **		–	22,572
				248,565	302,747

* These are open ended funds.

** It has face value of Rs. 50 per share.

25.3.1 Investments in Jubilee Spinning and Weaving Mills Limited is carried at break-up value which is Rs. nil per share. The Break up value has been calculated on the basis of the audited financial statements for the year ended 30 September 2006.

Investment in Crescent Standard Investment Bank has been recorded at Rs. nil as the trading in this script has been suspended in stock exchange. Further, an administrator has been oppointed by the regulator in place of Board of Directors.

25.4 Held for trading

2007	2006	Name of investee company		2007	2006
(Number of shares/units)	Quoted			(Rupees in '000)	
288,350	429,850	Al Meezan Mutual Fund Limited		4,383	6,405
38,000	–	Al Ghazi Tractors Limited**		10,830	–
10,125	17,000	Adamjee Insurance Company Limited		3,300	2,083
250,800	46,500	Agriautos Industries Limited**		24,804	3,199
15,000	–	Allied Bank Limited		2,084	–
196,665	15,000	Arif Habib Securities Limited		22,931	7,470
35,457	147,605	Askari Commercial Bank Limited		3,755	11,447
25,000	99,800	Attock Cement Pakistan Limited		3,061	9,082
10,000	10,000	Attock Petroleum Limited		5,014	3,230
80,800	185,200	Attock Refinery Limited		9,417	16,057
–	77,500	Azgard Nine Limited		–	1,709
7,000	–	Bank Al Habib Limited		466	–
40,000	–	Bank Al Falah Limited		2,604	–
60,000	75,000	Century Paper and Board Mills Limited		3,753	3,634
15,500	–	Cherat Cement Limited		876	–
270,000	270,000	Crescent Standard Investment Bank Limited	25.3.1	–	1,120
9,617	12,018	Dawood Hercules Chemicals Limited		2,682	3,551
–	490,000	Dewan Cement Limited		–	7,742
145,990	30,000	D. G. Khan Cement Company Limited		17,008	2,700
–	30,000	Dewan Farooq Motors Limited		–	698
25,000	20,000	Engro Chemicals Pakistan Limited		6,325	3,388
153,500	77,000	Fauji Cement Company Limited		3,024	1,478
173,625	458,326	Fauji Fertilizer Company Limited		21,053	55,457
–	69,420	Faysal Bank Limited		–	4,269
20,000	20,000	First Habib Bank Modaraba		198	186
305,000	–	Fauji Fertilizer Bin Qasim Limited		11,895	–
30,500	–	Ghandhara Nissan Limited		1,281	–
150,000	150,000	Golden Arrow Selected Stock Fund		1,245	1,080
600,000	1,829,000	Hub Power Company Limited		22,020	42,067
148,700	38,600	Indus Motors Company Limited		45,428	7,373
55,000	50,000	ICI Pakistan Limited		9,191	5,455
5,000	–	IGI Insurance Limited		2,000	–
20,000	52,050	Javed Omer Vohra & Company Limited		4,670	2,397
100,000	–	Kohat Cement Company Limited		5,450	–
575,000	371,000	Kohinoor Energy Limited		21,563	9,590
387	398,100	Kohinoor Textile Mills Limited		10	12,640
243,700	670,200	Kot Addu Power Co Limited		14,659	28,215
–	55,000	Lucky Cement Limited		–	5,695
1,250	240,000	Maple Leaf Cement Factory Limited		31	6,144
1,685,000	1,685,000	Meezan Balance Fund		17,271	16,934
100,000	–	Meezan Bank Limited		3,200	–
–	30,000	MCB Bank Limited		–	6,309

2007 (Number of shares/units)	2006 Quoted	Name of investee company		2007 (Rupees in '000)	2006
–	40,000	New Jubilee Insurance Company Limited		–	880
37,219	–	National Bank of Pakistan		9,751	–
235,547	–	National Investment Trust *		14,521	–
44,000	–	National Refinery Limited		15,004	–
40,000	–	New Jubilee Life Insurance Limited		2,010	–
188,500	–	NIB Bank Limited (R)		1,725	–
40,000	–	Nishat Mills Limited		5,219	–
340,000	50,000	Oil & Gas Development Corporation Limited		40,731	6,838
28,900	30,750	Packages Limited		9,221	6,438
25,000	182,800	Pakistan Indutrial Credit and Investment Corporation Ltd	25.4.1	2,053	7,769
35,000	20,750	Pakistan Oil Fields Limited		11,095	6,947
92,000	92,000	Pakistan Strategic Allocation Fund		966	980
150,000	50,000	Pakistan Telecommunication Company Limited		8,550	2,030
780,000	600,000	Pakistan Capital Market Fund		11,372	8,658
200,000	–	Pakistan National Shipping Corporation		18,800	–
165,500	36,000	Pakistan Petroleum Limited		43,434	7,626
288,007	178,008	Pakistan Premier Fund Limited		4,320	2,537
–	5,000	Pakistan Refinery Limited		–	1,069
275,800	10,000	Pakistan Reinsurance Company Limited		61,489	1,232
–	31,000	Pakistan State Oil Company Limited		–	9,579
190,575	128,250	Pak Suzuki Motor Company Limited		74,704	40,142
50,000	–	PICIC Commercial Bank Limited		2,200	–
530,000	–	PICIC Energy Fund		3,975	–
390,577	–	PICIC Insurance Limited		19,587	–
–	143,437	PICIC Growth Fund		–	4,533
–	17,000	Shell Pakistan Limited		–	8,184
100,200	–	Soneri Bank Limited		5,656	–
–	406,000	Sui Southern Gas Company Limited		–	11,733
30,500	–	Sui Northern Gas Pipelines Limited		2,158	–
–	50,000	Telecard Limited		–	567
161,600	–	Thal Limited**		45,085	–
50,000	–	The Bank of Khyber		825	–
375	107,676	The Bank of Punjab		44	8,905
–	75,362	Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)		–	5,577
				721,977	431,028

* These are open ended funds.

** It has face value of Rs. 50 per share.

25.4.1 Due to change in ownership / directorship during the year, Pakistan Industrial Credit and Investment Corporation Limited ceased to be related party.

25.4.2 Held for trading investments include shares/units held with the Investment Advisor of the Company. During the year the Company entered into an investment advisory agreement (the agreement) with BMA Capital Management Limited (Investment Advisor - IA) with an initial investment amounting to Rs. 60 million. The agreement sets out the framework for investment taken by IA in prescribed securities in consultation with the Company's investment committee. Carrying amount of such investments aggregate to Rs.80.01 million as on 30 June 2007 are as follows:

2007	2006	Name of investee company	2007	2006
(Number of shares/units)		Quoted	(Rupees in '000)	
15,000	–	Askari Commercial Bank Limited	1,589	–
20,000	–	Attock Refinery Limited	2,331	–
40,000	–	Bank Al Falah Limited	2,604	–
10,000	–	Engro Chemicals Pakistan Limited	2,530	–
50,000	–	Fauji Fertilizer Company Limited	6,063	–
75,000	–	Fauji Fertilizer Bin Qasim Limited	2,925	–
18,000	–	Indus Motors Co Limited	5,499	–
15,000	–	ICI Pakistan Limited	2,507	–
5,000	–	IGI Insurance Limited	2,000	–
20,000	–	Javed Omer Vohra & Company Limited	4,670	–
50,000	–	Kohinoor Energy Limited	1,875	–
30,000	–	National Bank of Pakistan	7,860	–
10,000	–	National Refinery Limited	3,410	–
30,000	–	Nishat Mills Limited	3,914	–
140,000	–	Oil & Gas Development Corporation Limited	16,772	–
10,000	–	Packages Limited	3,191	–
20,000	–	Pakistan Petroleum Limited	5,249	–
18,000	–	Thal Limited	5,022	–
			80,011	–

25.5 The following investments are deposited as security with commercial banks.

Name of Investee Companies		
Altern Energy Limited	1,058,320	–
Al Ghazi Tractors Limited	10,830	–
Al Meezan Mutual Fund Limited	4,560	
Attock Cement Pakistan Limited	–	4,550
Agriauto Industries Limited	24,429	–
Askari Commercial Bank Limited	–	7,755
Arif Habib Securities Limited	8,745	4,980
Adamjee Insurance Company Limited	3,260	–
Attock Refinery Limited	8,159	13,005
Crescent Commercial Bank Limited	114,329	–
D. G. Khan Cement Limited	8,231	–
Dewan Cement Limited	–	4,740
Fauji Cement Company Limited	3,940	–

Name of Investee Companies	2007	2006
	(Rupees in '000)	
Fauji Fertilizer Bin Qasim Limited	5,850	–
Fauji Fertilizer Company Limited	34,556	75,625
Faysal Bank Limited	–	3,075
Hub Power Company Limited	1,468	43,700
ICI Pakistan Limited	6,684	–
Indus Motors Company Limited	25,662	5,730
Kohinoor Textile Mills Limited	–	9,525
Kohinoor Energy Limited	11,250	7,755
Kot Addu Power Company Limited	6,015	27,365
Kohat Cement Company Limited	5,450	–
Meezan Balanced Fund	16,913	–
Maple Leaf Cement Company Limited	–	5,120
Nestle Pakistan Limited	2,318	5,512
National Bank of Pakistan	–	4,450
Oil and Gas Development Company Limited	17,671	4,102
Packages Limited	–	20,935
Pak Suzuki Motor Company Limited	72,520	34,430
Pakistan Capital Market Fund	8,748	–
Pakistan Industrial Credit and Investment Corporation Limited	–	14,875
Pakistan National Shipping Corporation	18,800	–
Pakistan Oil Fields Limited	29,640	46,872
Pakistan Petroleum Limited	35,195	5,296
Pakistan Premier Fund Limited	2,250	–
Pakistan State Oil Company Limited	–	6,798
Pakistan Strategic Allocation Fund	34,130	–
Pakistan Telecommunication Company Limited	2,394	–
PICIC Growth Fund	7,997	9,480
PICIC Investment Fund	2,669	4,380
Soneri Bank Limited	5,645	–
Sui Southern Company Limited	–	8,670
Siemens Pakistan Engineering Company Limited	7,808	3,540
Shakarganj Mills Limited	–	2,750
Shell Pakistan Limited	–	7,221
Standard Chartered Bank (Pakistan) Limited (Formerly Union Bank Limited)	–	5,550
Tripack Films Limited	–	9,108
The Bank of Punjab	583	4,135
Thal Limited	34,945	–
Unilever Pakistan Limited	–	30,210
	1,641,964	441,239

26. MARK-UP ACCRUED

	Note	2007	2006
		(Rupees in '000)	
Considered doubtful			
Related party			
Profit accrued on:			
- Musharika arrangement / deposits		4,936	6,338
Provision thereagainst		(4,936)	–
		–	6,338
Considered good			
- others		2,476	2,442
		2,476	8,780

27. OTHER RECEIVABLES

	Note	2007	2006
Dividend receivable		1,988	3,319
Receivable on account of sale of shares		–	113,444
Claim receivable		2,489	719
Due from Related Parties	27.1	926	682
Sales tax refundable		67,024	46,365
Provision thereagainst		(4,346)	(4,346)
		62,678	42,019
Margin on letters of credit and guarantee		–	1,095
Provision thereagainst		–	(1,095)
		–	–
Receivable from staff retirement funds	43.2	4,253	7,339
Others		301	1,299
		72,635	168,821

27.1 Due from associated undertakings

	2007	2006
Crescent Textile Mills Limited	38	–
Shakarganj Mills Limited	789	583
Premier Insurance Limited	99	99
	926	682

28. TAXATION-NET

The income tax assessments of the company have been finalized up to tax year 2006.

	2007	2006
	(Rupees in '000)	
Advance tax	350,472	345,823
Provision for taxation	(330,280)	(329,085)
	20,192	16,738

The above advance tax includes minimum tax under Section 113 of the Income Tax Ordinance, 2001, amounting to Rs.17.8 million,which has been carried as advance tax to be adjusted against tax liability of subsequent years, as provided in the said Section.

The Income Tax Appellate Tribunal (ITAT) / Commissioner of Income Tax (Appeals) has decided the appeals of the Company in respect of the assessment year 1997-1998, 2001-2002, 2002-2003, transitional year 2003, Tax year 2003 and 2004. The ITAT has vacated all the orders passed by both the lower authorities in respect of assessment years 2001-02, 2002-03 and transitional year 2003, and has made directions to the assessing officer for framing the assessments in a uniform manner with the income year ending on June 30 for each year. The Company has filed appeals against orders passed by Commissioner of Income Tax (Appeals) for assessment years 2000-2001 and 2001-2002. The appeals are pending adjudication. However, the company has made full provision their against. Further, the department has also filed appeals against orders passed by Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 2000-2001 and Tax year 2003. In case of adverse decisions, additional tax liability of Rs. 19.13 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

29. CASH AND BANK BALANCES

			2007	2006
			(Rupees in '000)	
With banks	- in deposit accounts			
	- local currency		25,538	3,295
	- foreign currency		2,705	10,712
			28,243	14,007
	- in current accounts		8,235	1,065
	Cash in hand	29.1	521	686
			36,999	15,758

29.1 This includes an amount of Rs. 0.23 million which is held by investment advisor of the Company note (25.4.2)

30. SALES

	2007	2006
	(Rupees in '000)	
Bare Pipes (own product excluding coating revenue)	1,309,170	917,277
Revenue from conversion	1,254	39,511
Coating of pipes	466,613	191,469
Cotton yarn	1,341,723	678,834
Scrap / waste	86,778	36,942
- Sales returns	(20,775)	(4,774)
	3,184,763	1,859,259
- Sales tax	(234,643)	(152,127)
	2,950,120	1,707,132

31. COST OF SALES

Steel	31.1	1,174,038	902,974
Cotton	31.1	1,265,618	663,829
		2,439,656	1,566,803

31.1 Cost of sales

	Note	Steel Segment		Cotton Segment		Total	
		2007	2006	2007	2006	2007	2006
		(Rupees in '000)					
Raw materials consumed		1,096,669	798,706	889,002	487,769	1,985,671	1,286,475
Packing materials consumed		–	–	18,462	8,746	18,462	8,746
Store and spares consumed		25,672	18,282	21,786	14,559	47,458	32,841
Fuel, power and electricity		14,681	11,391	122,482	58,895	137,163	70,286
Salaries, wages and other benefits	31.2	42,817	34,521	75,044	41,114	117,861	75,635
Insurance		2,257	2,034	4,006	1,770	6,263	3,804
Repairs and maintenance		5,341	5,102	3,606	3,073	8,947	8,175
Depreciation	16.2	29,056	36,320	127,346	49,784	156,402	86,104
Amortization of intangible assets	17.1	–	–	343	573	343	573
Other expenses		13,108	6,806	5,135	4,658	18,243	11,464
Expenses allocated to cotton segment		(1,156)	(1,327)	–	–	(1,156)	(1,327)
Expenses allocated from steel segment		–	–	1,156	1,327	1,156	1,327
		1,228,445	911,835	1,268,368	672,268	2,496,813	1,584,103
Opening stock of work-in-process		3,545	4,021	6,745	2,979	10,290	7,000
Closing stock of work-in-process		(33,221)	(3,545)	(10,261)	(6,745)	(43,482)	(10,290)
		(29,676)	476	(3,516)	(3,766)	(33,192)	(3,290)
Cost of goods manufactured		1,198,769	912,311	1,264,852	668,502	2,463,621	1,580,813
Opening stock of finished goods		39,639	30,302	26,686	18,417	66,325	48,719
Finished goods purchased		–	–	–	3,596	–	3,596
Closing stock of finished goods		(64,370)	(39,639)	(25,920)	(26,686)	(90,290)	(66,325)
		(24,731)	(9,337)	766	(4,673)	(23,965)	(14,010)
		1,174,038	902,974	1,265,618	663,829	2,439,656	1,566,803

31.2 Detail of salaries, wages and other benefits

	Note	Steel 2007	Steel 2006	Cotton 2007	Cotton 2006	Total 2007	Total 2006
Salaries, wages and other benefits		38,636	31,820	72,666	39,948	111,302	71,768
Provident fund contributions		1,254	1,115	1,559	775	2,813	1,890
Pension fund	31.3	2,520	1,292	819	391	3,339	1,683
Gratuity	31.3	407	294	–	–	407	294
		42,817	34,521	75,044	41,114	117,861	75,635

31.3 Staff retirement benefits

	2007 Pension	2007 Gratuity	2006 Pension	2006 Gratuity
	(Rupees in '000)			
Current service cost	3,746	709	1,698	446
Interest cost	2,546	589	2,454	582
Expected return on plan assets	(3,241)	(954)	(2771)	(801)
Past service cost	288	63	302	67
	3,339	407	1,683	294

32. INVESTMENT INCOME

		2007	2006
		(Rupees in '000)	
Income From Financial Assets			
Return on Term Finance Certificates/ IROP bond		2,140	2,976
Dividend income	32.1	36,531	69,598
Gain on sale of investments			
- Available-for-sale		132,355	69,146
- Held for trading		105,852	164,378
Unrealized gain on held for trading investments		134,479	26,424
Income From Related Parties			
Provision written back on investment		45	368
		411,402	332,890

32.1 Dividend income

	2007	2006
From Related Parties		
Shakarganj Mills Limited	2,549	2,549
Crescent Textile Mills Limited	–	374
	2,549	2,923
Others		
	33,982	66,675
	36,531	69,598

33. DISTRIBUTION AND SELLING EXPENSES

		Steel Segment		Cotton Segment		Total	
		2007	2006	2007	2006	2007	2006
		(Rupees in '000)					
Salaries, wages and other benefits	33.1	4,561	3,503	1,090	1,185	5,651	4,688
Commission		–	–	3,547	3,170	3,547	3,170
Travelling and conveyance		280	437	18	7	298	444
Depreciation	16.2	382	306	–	–	382	306
Insurance		90	76	–	–	90	76
Postage, telephone and telegram		151	134	64	138	215	272
Advertisement		674	1,477	–	–	674	1,477
Bid bond expenses		361	433	–	–	361	433
Bad debts expenses		–	892	–	–	–	892
Transportation		29	36	424	2,008	453	2,044
Legal and professional charges		565	4	–	–	565	4
Others		520	320	530	687	1,050	1,007
		7,613	7,618	5,673	7,195	13,286	14,813

33.1 Detail of salaries, wages and other benefits

Salaries, wages and other benefits		3,849	3,062	1,090	1,185	4,939	4,247
Provident fund contributions		152	136	–	–	152	136
Pension fund	33.2	482	249	–	–	482	249
Gratuity	33.2	78	56	–	–	78	56
		4,561	3,503	1,090	1,185	5,651	4,688

33.2 Staff retirement benefits

	2007		2006	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	541	136	252	86
Interest cost	368	113	363	112
Expected return on plan assets	(468)	(183)	(411)	(155)
Past service cost	41	12	45	13
	482	78	249	56

34. ADMINISTRATIVE EXPENSES

		Steel Segment		Cotton Segment		IID Segment		Total	
		2007	2006	2007	2006	2007	2006	2007	2006
		(Rupees in '000)							
Salaries, wages and other benefits	34.1	36,813	27,599	–	–	4,090	3,067	40,903	30,666
Rents, rates and taxes		669	189	–	–	74	21	743	210
Travelling, conveyance and entertainment		4,930	3,945	298	245	548	438	5,776	4,628
Fuel and power		3,255	3,188	–	–	362	354	3,617	3,542
Postage, telephone and telegram		2,900	1,384	–	–	322	154	3,222	1,538
Insurance		1,183	1,154	–	–	132	128	1,315	1,282
Repairs and maintenance		3,527	1,989	–	–	392	221	3,919	2,210
Auditors' remuneration	34.3	890	523	–	–	99	58	989	581
Legal and professional and corporate service charges		29,800	36,992	1,982	1,046	2,390	2,661	34,172	40,699
Advertisement		215	338	–	–	24	38	239	376
Donations	34.4	11,525	2,604	7,182	1,107	1,281	289	19,988	4,000
Depreciation	16.2	14,274	9,887	–	–	1,586	1,099	15,860	10,986
Amortization of intangible assets	17.1	409	1,325	–	–	45	147	454	1,472
Printing, stationery and office supplies		1,214	1,166	–	9	135	130	1,349	1,305
Newspapers, subscriptions and periodicals		174	157	–	–	19	18	193	175
Others		435	127	140	14	48	14	623	155
		112,213	92,567	9,602	2,421	11,547	8,837	133,362	103,825
Charges allocated to the cotton segment		(6,950)	(13,032)	6,950	13,032	–	–	–	–
		105,263	79,535	16,552	15,453	11,547	8,837	133,362	103,825

34.1 Salaries, wages and other benefits

		Steel 2007	Steel 2006	Cotton 2007	Cotton 2006	IID 2007	IID 2006	Total 2007	Total 2006
Salaries, wages and other benefits		30,674	24,176	–	–	3,408	2,687	34,082	26,863
Provident fund contributions		1,322	1,074	–	–	147	119	1,469	1,193
Pension fund	34.2	4,148	1,913	–	–	461	213	4,609	2,126
Gratuity	34.2	669	436	–	–	74	48	743	484
		36,813	27,599	–	–	4,090	3,067	40,903	30,666

34.2 Staff retirement benefits

	2007		2006	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	5,170	1,296	2,145	734
Interest cost	3,515	1,078	3,099	959
Expected return on plan assets	(4,474)	(1,746)	(3,500)	(1,320)
Past service cost	398	115	382	111
	4,609	743	2,126	484

34.3 Auditors' remuneration

	2007	2006
	(Rupees in '000)	
Audit fee*	750	500
Fee for audit of funds' financial statements and other reports	219	70
Out of pocket expenses	20	11
	989	581

*Audit fee includes services for audit of annual financial statements, limited review of condensed interim financial statements for the six months period and review report on Statement of Compliance with best Practices Code of Corporate Governance.

34.4 Donations

Donations include the following in which a director is interested:

Name of the director	Interest in donee	Name and address of the donee	Amount donated 2007	Amount donated 2006
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Chairman	The Citizens Foundation 9th Floor, NIC Building, Karachi	15,304	3,338
	Member of Managing Committee	Commecs Education Trust, 301, Fortune Centre, Main Sharah-e-Faisal, Karachi	3,000	60
	Member	Lyallpur Golf Club Race Course Club, Faisalabad	717	110
			19,021	3,508

34.4.1 Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

35. OTHER OPERATING EXPENSES

	Note	2007	2006
		(Rupees in '000)	
Provision for slow moving stores, spares and tools		892	2,187
Provision for stock in trade		37,280	–
Provision for workers welfare fund		15,141	332
Provision for workers profit participation fund (Steel Division)		11,741	–
Provision for infrastructure fee		5,900	7,700
Provision for impairment of intangible asset	17.1	–	2,640
Provision for impairment of investments		46,090	–
Provision against advances		–	111
Provision for other receivables, prepayments and others		4,983	20
Other receivables, prepayments and others written off		–	63
Fixed assets written off		–	123
Provision for doubtful trade debts		–	151
Provision for liquidated damages		3,516	–
Exchange loss		–	8,541
		125,543	21,868

36. OTHER INCOME

	2007	2006
Return on deposits	2,507	5,962
Liabilities written-back	–	2,545
Provision written back for stock in trade	–	5,241
Provision written back against deposit for building	–	5,461
Provision written back against margin on letters of credit and guarantee	1,095	–
Gain on disposal of fixed assets	98,687	960
Deferred income	–	304
Insurance commission	1,277	1,192
Exchange gain	24	–
Others	3,412	2,893
	107,002	24,558

37. FINANCE COSTS

	2007	2006
	(Rupees in '000)	
Mark-up on:		
Running finances	19,564	11,877
Short-term loans	37,653	41,506
Long-term loans	53,116	26,807
Redeemable capital	15,331	21,955
Assets subject to finance leases	1,161	1,972
Bank charges	1,665	1,480
	128,490	105,597
Financial charges capitalized	–	22,657
	128,490	82,940

38. TAXATION

	2007	2006
Current		
- for the year	1,964	4,113
- for prior years'	(769)	926
	1,195	5,039
Deferred	62,950	(2,249)
	64,145	2,790

38.1 Relationship between tax expense and accounting profit

	2007	2006
Profit before taxation	727,323	262,409
Tax at the applicable rate of 35%	254,563	91,843
Effect of non-deductible expenses	5,246	3,755
Tax effect of exempt income and export sales under presumptive tax regime	(162,199)	(77,538)
Tax effect of change in tax WDV of fixed assets	75	152
Tax effect of dividend income taxed at different rate	(11,268)	(20,343)
Tax effect on share of loss of associates taxed at different rate	(21,503)	3,859
Prior years' tax effect	(769)	926
Others	–	136
	64,145	2,790

39. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		663,178	259,619
		(Number of shares)	
Average number of ordinary shares in issue during the year	39.1	45,412,040	35,263,008
		(Rupees)	
Basic and diluted earnings per share		14.60	7.36

39.1 Weighted average number of shares for the year ended 30 June 2006 have been restated for the effect of right shares issued during the year.

40. CASH GENERATED FROM OPERATIONS

		2007	2006
		(Rupees in '000)	
Profit before taxation		727,323	262,409
Adjustments for non cash charges and other items:			
Depreciation		172,644	97,396
Amortization		797	2,045
Amortization of advance to staff		198	111
Provision for impairment on intangibles		–	2,640
Adjustment arising from measurement to fair value		(134,479)	(26,424)
Provision against stock-in-trade and stores and spares		892	2,187
Provision written back against margin on letters of credit and guarantee		(1,095)	–
Provision / Reversal against stock-in-trade		37,280	(5,241)
Liabilities written back		–	(2,545)
Provision for workers profit participation fund		11,741	–
Provision for workers welfare fund		15,141	332
Provision against other receivables		–	20
Provision against accrued markup		4,936	–
Other receivables written off		–	63
Fixed assets written off		–	123
Reversal of provision against advance for building		–	(5,461)
Provision for diminution in the value of investments		46,090	–
Provision for infrastructure fee		5,900	7,700
Provision against advances		47	111
Provision against liquidated damages		3,516	–
Provision for doubtful trade debts		–	151
Exchange (gain) / loss		(24)	8,541
Gain on sale of investments		(238,207)	(233,524)
Pension and gratuity expense		9,657	4,892
Financial charges		128,490	82,940
Deferred income		–	(304)
Gain on disposal of fixed assets		(98,687)	(960)
Dividend income		(36,531)	(66,870)
Return on deposits, advances and investments		(4,647)	(11,666)
Provision written back on investments		(45)	(368)
Associate share of (profit) / loss		(99,136)	11,922
Amortization of initial transaction cost		1,162	1,053
Working capital changes	40.1	76,609	(101,397)
		629,572	29,876

40.1 Working capital changes

	2007	2006
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(13,399)	(3,592)
Stock-in-trade	(202,213)	(268,949)
Trade debts	(106,261)	56,739
Short-term advances	138,159	(69)
Short-term deposits and prepayments	(946)	779
Other receivables (net)	92,864	92,012
	(91,796)	(123,080)
Increase in current liabilities		
Trade and other payables	168,405	21,683
	76,609	(101,397)

41. CASH AND CASH EQUIVALENTS

		2007	2006
		(Rupees in '000)	
Running finances under mark-up arrangements	14	(10,724)	(169,374)
Cash and bank balances		36,999	15,758
		26,275	(153,616)

42. SEGMENT REPORTING

42.1 The reporting format, business segment, is based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis .

Segment assets consist primarily of property, plant and equipment, intangibles, store and spares, stock in trade and trade and other debts. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Business Segments
The Company comprises the following main business segments:

- Steel segment. It comprises manufacturing and coating of steel pipes (Note 1.2)
- Cotton segment. It is valued in yarn manufacturing activity (Note1.3)
- Investment and Infrastructure Development (IID) segment. It has been established during the current year to effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and property investments (held for rentals as well as long term appreciation).

42.2 The steel segment allocates certain percentage of the common administrative expenditure to the cotton segment and IID. In addition, the funds utilized between steel and cotton segments are allocated at mark-up rate of one month KIBOR plus two percent. Financial charges between steel and IID segments are apportioned on the basis of their net assets.

42.3

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
Segment results for the year ended June 30, 2007				
Gross Sales	1,564,287	1,385,833	–	2,950,120
Cost of sales	1,174,038	1,265,618	–	2,439,656
Gross Profit	390,249	120,215	–	510,464
Investment Income	–	–	411,402	411,402
	390,249	120,215	411,402	921,866
Distribution expenses	7,613	5,673	–	13,286
Administrative expenses	105,263	16,552	11,547	133,362
Other operating expenses	63,578	550	61,415	125,543
	176,454	22,775	72,962	272,191
	213,795	**97,440**	**338,440**	**649,675**
Other operating income	9,095	1,910	95,997	107,002
Profit from operations	**222,890**	**99,350**	**434,437**	**756,677**
Finance costs	5,178	99,362	23,950	128,490
Share of profit in associates	–	–	99,136	99,136
Profit / (loss) before taxation	**217,712**	**(12)**	**509,623**	**727,323**
Taxation				64,145
Profit after taxation				**663,178**
Segment results for the year ended June 30, 2006				
Gross Sales	1,014,182	692,950	–	1,707,132
Cost of sales	902,974	663,829	–	1,566,803
Gross Profit	111,208	29,121	–	140,329
Investment Income	–	–	332,890	332,890
	111,208	29,121	332,890	473,219
Distribution expenses	7,618	7,195	–	14,813
Administrative expenses	79,535	15,453	8,837	103,825
Other operating expenses	12,578	9,290	–	21,868
	99,731	31,938	8,837	140,506
	11,477	(2,817)	324,053	332,713
Other operating income	12,204	2,365	9,989	24,558
Profit / (loss) from operations	**23,681**	**(452)**	**334,042**	**357,271**
Finance costs	3,634	67,962	11,344	82,940
Share of loss in associates	–	–	(11,922)	(11,922)
Profit / (loss) before taxation	**20,047**	**(68,414)**	**310,776**	**262,409**
Taxation				2,790
Profit after taxation				**259,619**

SEGMENT REPORTING - CONTINUED

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
Other segment information				
As at June 30, 2007				
Segment assets	765,694	1,407,004	1,423,356	3,596,054
Investment in equity method associates			1,027,316	1,027,316
Unallocated corporate assets				72,698
Total assets				4,696,068
Segment liabilities	343,532	604,684	33,917	982,133
Unallocated corporate liabilities				513,532
Total liabilities				1,495,665
For the year ended June 30, 2007				
Capital expenditure	23,435	66,093	37,379	126,907
Depreciation and Amortization	44,121	127,689	1,631	173,441
As at June 30, 2006				
Segment assets	522,822	1,445,622	1,267,006	3,235,450
Investment in equity method associates			428,386	428,386
Unallocated corporate assets				50,913
Consolidated total assets				3,714,749
Segment liabilities	194,450	717,553	3,767	915,770
Unallocated corporate liabilities				761,281
Consolidated total liabilities				1,677,051
For the year ended June 30, 2006				
Capital expenditure	23,065	907,335	50,104	980,504
Depreciation and Amortization	47,838	50,357	1,246	99,441

43. STAFF RETIREMENT BENEFITS

43.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19 "Employee benefits" as at 30 June 2007. The projected unit credit method, using the following significant assumptions, has been used for the actuarialvaluation:

		2007	2006
		(Percentage per annum)	
- Discount rate		10	9
- Expected rate of increase in salaries	- For next year (2006 : two year)	20	10
	- For next two year thereafter	15	–
	- After three year (2006 : two year)	10	8
- Expected rate of return on plan assets		12	11
- Average working life of employee		11 years	11 years

43.2 The amounts recognised in balance sheet are as follows:

	2007			2006		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Present value of defined benefit obligation	99,224	27,945	127,169	71,422	19,776	91,198
Fair value of plan assets	(93,474)	(32,877)	(126,351)	(68,194)	(24,023)	(92,217)
Unrecognised actuarial gains / (losses)	(2,055)	2,340	285	(2,336)	2,291	(45)
Unrecognised past service cost	(3,643)	(1,713)	(5,356)	(4,371)	(1,904)	(6,275)
Liability / (Asset) in balances	52	(4,305)	(4,253)	(3,479)	(3,860)	(7,339)
Present value of defined benefit obligation - 1 July 2006	71,422	19,776	91,198	65,735	18,379	84,114
Current service cost	9,457	2,140	11,597	4,095	1,266	5,361
Interest cost	6,428	1,780	8,208	5,916	1,654	7,570
Benefits paid	(1,955)	–	(1,955)	(1,822)	(410)	(2,232)
Actuarial (gains) / losses	13,872	4,249	18,121	(2,502)	(1,113)	(3,615)
Present value of defined benefit obligation - 30 June 2007	99,224	27,945	127,169	71,422	19,776	91,198
Fair value of plan assets - 1 July 2006	68,195	24,023	92,218	60,744	20,687	81,431
Expected return on plan assets	8,183	2,883	11,066	6,682	2,275	8,957
Contribution to fund	4,898	1,673	6,571	4,103	1,453	5,556
Benefits paid	(1,955)	–	(1,955)	(1,822)	(410)	(2,232)
Actuarial gains / (losses)	14,153	4,298	18,451	(1,512)	18	(1,494)
Fair value of plan assets - 30 June 2007	93,474	32,877	126,351	68,195	24,023	92,218

The following amounts have been charged in the profit and loss account in respect of these benefits:

	2007			2006		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Current service cost	9,457	2,140	11,597	4,095	1,265	5,360
Interest cost	6,428	1,780	8,208	5,916	1,654	7,570
Expected return on plan assets	(8,183)	(2,883)	(11,066)	(6,682)	(2,276)	(8,958)
Actuarial (gains) / losses	–	–	–	–	–	–
Past service cost	728	190	918	729	191	920
Expense recognised in profit or loss	8,430	1,227	9,657	4,058	834	4,892
Actual return on plan assets	22,337	7,181	29,518	5,170	2,293	7,463

Comparison for five years

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Pension					
As at June 30					
Present value of defined benefit obligation	99,224	71,422	65,735	51,256	42,168
Fair value of plan assets	93,474	68,194	60,744	46,024	34,046
Deficit	**(5,750)**	**(3,228)**	**(4,991)**	**(5,232)**	**(8,122)**
Experience adjustments					
(Gain) / loss on obligation	8,383	(2,502)	7,791	3,139	7,679
Gain / (loss) on plan asset	14,157	(1,512)	7,962	4,980	2,361
Gratuity					
As at June 30					
Present value of defined benefit obligation	27,945	19,776	18,379	14,987	13,786
Fair value of plan assets	32,878	24,023	20,687	18,024	12,911
Deficit	**4,933**	**4,247**	**2,308**	**3,037**	**(875)**
Experience adjustments					
(Gain) / loss on obligation	708	1,113	2,514	448	1,747
Gain / (loss) on plan asset	4,298	17	2,501	2,050	1,344

44. FINANCIAL ASSETS AND LIABILITIES

Interest / mark-up rate risk arises from the possibility that changes in interest/mark-up rates will affect the value of financial instruments. The Company is exposed to interest/mark-up rate risk in respect of the following:

	2007							
		Interest/mark-up bearing			Non-interest/mark-up bearing			
	Effective rate of interest / mark-up %	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Total
		(Rupees in '000)						
Financial assets								
Investments	8.5 to 9.75	42,010	56,795	98,805	998,919	1,202,751	2,201,670	2,300,475
Long-term deposits		–	–	–	–	2,988	2,988	2,988
Trade debts		–	–	–	181,408	–	181,408	181,408
Short-term deposits		–	–	–	2,681	–	2,681	2,681
Mark-up accrued		–	–	–	2,476	–	2,476	2,476
Other receivables		–	–	–	9,957	–	9,957	9,957
Advances		–	–	–	75,000	–	75,000	75,000
Cash and bank balances		28,243	–	28,243	8,756	–	8,756	36,999
		70,253	**56,795**	**127,048**	**1,279,197**	**1,205,739**	**2,484,936**	**2,611,984**

	2006							
		Interest/mark-up bearing			Non-interest/mark-up bearing			
	Effective rate of interest / mark-up %	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Total
		(Rupees in '000)						
Financial assets								
Investments	8.5 to 11	85,323	56,805	142,128	742,037	428,386	1,170,423	1,312,551
Long-term deposits		–	–	–	–	2,207	2,207	2,207
Trade debts		–	–	–	75,147	–	75,147	75,147
Short-term deposits		–	–	–	1,858	–	1,858	1,858
Mark-up accrued		–	–	–	8,780	–	8,780	8,780
Other receivables		–	–	–	126,802	–	126,802	126,802
Advances		–	–	–	205,153	–	205,153	205,153
Cash and bank balances		14,007	–	14,007	1,751	–	1,751	15,758
		99,330	56,805	156,135	1,161,528	430,593	1,592,121	1,748,256

	Effective rate of interest / mark-up %	2007 Interest/mark-up bearing Maturity upto one year	Maturity after one year and upto five years	Sub-total	Non-interest/mark-up bearing Maturity upto one year	Maturity after one year and upto five years	Sub-total	Total
		(Rupees in '000)						
Financial liabilities								
Long-term loans	11.58 to 12.52	112,500	280,354	392,854	–	–	–	392,854
Redeemable Capital	9	75,000	73,652	148,652	–	–	–	148,652
Liabilities against assets subject to finance leases	7.5 to 13.43	5,544	–	5,544	–	–	–	5,544
Short term borrowings	9.12 to 12.17	432,799	–	432,799	–	–	–	432,799
Trade and other payables		–	–	–	347,909	–	347,909	347,909
Interest and markup accrued		–	–	–	16,150	–	16,150	16,150
		625,843	**354,006**	**979,849**	**364,059**	**–**	**364,059**	**1,343,908**

	Effective rate of interest / mark-up %	2006 Interest/mark-up bearing Maturity upto one year	Maturity after one year and upto five years	Sub-total	Non-interest/mark-up bearing Maturity upto one year	Maturity after one year and upto five years	Sub-total	Total
		(Rupees in '000)						
Financial liabilities								
Long-term loans	10.9 to 11.58	56,250	392,591	448,841	–	–	–	448,841
Redeemable Capital	6.8 to 9	75,000	147,753	222,753	–	–	–	222,753
Liabilities against assets subject to finance leases	7.5 to 9.5	6,319	7,970	14,289	–	–	–	14,289
Short term borrowings	8.65 to 10.45	739,374	–	739,374	–	–	–	739,374
Trade and other payables		–	–	–	218,218	–	218,218	218,218
Interest and markup accrued		–	–	–	20,272	–	20,272	20,272
		876,943	548,314	1,425,257	238,490	–	238,490	1,663,747
On-balance sheet gap :								
	2007	**(555,590)**	**(297,211)**	**(852,801)**	**915,138**	**1,205,739**	**2,120,877**	**1,268,076**
	2006	(777,613)	(491,509)	(1,269,122)	923,038	430,593	1,353,631	84,509
Off balance sheet items - financial commitments								
- Outstanding LCs/LGs	**2007**	**–**	**–**	**–**	**627,818**	**85,732**	**713,550**	**713,550**
	2006	–	–	–	292,045	155,582	447,627	447,627

44.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All financial assets of the company, except cash in hand, are exposed to credit risk. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its certain customers.

44.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company incurs foreign currency risk on sales and purchases that are entered in a currency other than Pak Rupees. The Company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. As at the year end the company had liabilities in foreign currencies aggregating Rs. Nil (2006: nil) against which no forward exchange contracts were obtained.

44.3 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

44.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is expected to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stocks and TFCs market movements.

45. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Rupees in '000)							
Managerial remuneration	5,688	4,290	2,610	2,339	7,859	5,792	16,157	12,421
House rent	2,559	1,931	1,175	1,052	3,323	2,428	7,057	5,411
Utilities	569	429	261	234	786	579	1,616	1,242
Travelling expenses	525	481	261	–	–	–	786	481
Others	548	672	–	–	–	–	548	672
Medical	105	64	123	86	449	293	677	443
Contribution to:								
- Provident fund	569	429	261	234	370	230	1,200	893
- Gratuity fund	398	311	183	169	191	87	772	567
- Pension fund	1,052	794	483	433	900	550	2,435	1,777
Club subscription and expenses	338	260	7	8	4	4	349	272
Entertainment	–	–	36	36	126	126	162	162
Telephone	–	–	12	12	30	30	42	42
	12,351	9,661	5,412	4,603	14,038	10,119	31,801	24,383
Number of persons	1	1	1	1	7	6	9	8

45.1 The aggregate amount charged in the account in respect of directors' fees paid to seven (2006: six) directors was Rs. 160,000 (2006: Rs. 175,000).

45.2 The chief executive, a director and seven executives are provided with free use of Company maintained cars, according to their entitlements.

45.3 The chief executive, a director, executives and their families are also covered under group life and hospitalization insurance.

46. TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes, i.e. comparable uncontrolled price method except service charges received / paid on cost plus method. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment disclosed elsewhere in theses financial statements, are follows:

		2007	2006
		(Rupees in '000)	
Associated companies			
Sale of finished goods including waste		70,906	84,256
Purchase of yarn		–	3,596
Rendering of services		2,995	1,072
Receiving of services		3,026	26,753
Purchase of property, plant and equipment		–	44,057
Financial charges on Term Finance Certificates		–	367
Dividends received		3,573	4,473
Return on deposits		917	4,531
Redemption of term finance certificates		–	1,250
Right shares subscribed		438,396	–
Right shares subscribed under underwriting arrangement		152,822	–
Advance against shares		60,000	–
Balances due from associates	27.1	926	682
Balances due to associates	12.3	12,973	12,810
Other related parties			
Donations	34.4	19,021	3,508
Contribution to pension fund	43.2	4,898	4,103
Contribution to gratuity fund	43.2	1,673	1,453
Contribution to provident fund		4,437	3,219
Advance for purchase of apartment		–	20,000
Advance against shares	23.1	15,000	205,153

47. PLANT CAPACITY AND PRODUCTION

47.1 Steel Segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2005: 30,000 tons) annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 23,180 tons (2006: 21,820 tons) line pipes of varied sizes and thickness, which is equivalent to 67,104 tons (2006: 46,981 tons) if actual production is translated to the notional pipe size of 30" diameter.

Coating plant

The coating plant has a capacity of externally shot blasting and coating of line pipes with 3 layer high/ medium density polyethylene coating at a rate of 250 square meters of surface area per hour on pipe sizes ranging from 219 to 1067 mm outside dia and thickness ranging from 3 to 16 mm.

The annual capacity of the plant works out to 600,000 square meters outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 746,951 meters of different dia pipes (422,272 square meters surface area) was achieved during the year (2006: 242,847 square meters surface area).

47.2 Cotton Segment

Spinning unit 1

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 6,452,874 kilograms. Actual production converted into 20s count was 6,109,490 kilograms (2006: 6,325,735 kilograms).

Spinning unit 2

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 9,284,825 kilograms. Actual production converted into 20s count was 10,609,697 kilograms (2006: 1,361,947 kilograms).

47.3 The capacities of the plant were utilised to the extent of orders received.

48. ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Held to maturity investment

The Company has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stock in trade and stores and spares

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values.; Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

49. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 31 July 2007 has (i) proposed a final dividend of Re. 1 per share (2006: Nil) amounting to Rs. 46.7 million (2006: Nil), in addition to two interim dividends of Re. 1 per share each (2006: Nil) already distributed and recorded in the financial statements, and

(ii) 10% bonus shares (2006: NIL) of Rs. 46.7 million (2006: NIL). The board of director has also proposed an appropriation of Rs. 500 million (2006: Rs. 421 million) from unappropriated profit to the general reserve. The appropriations of proposed final dividend, bonus and transfer to general reserve will be reflected in the financial statement for the year ending 30 June 2008.

50. GENERAL

50.1 Previous year figures have been rearranged and reclassified where necessary for the purposes of comparison Major change represents reclassifications due to change in presentation of amount deposited against allotment of building from 'other receivables' to 'Capital work-in-progress' .Further, investment in associated under-takings and related parties have also been reclassified upon re-assessment of relationships with the investee companies. These changes were made for better presentation of transactions in the financial statements of the Company.

50.2 These financial statements were authorised for issue in the board of directors meeting held on 31 July 2007.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Form "34" Pattern of Holding of Shares

Held by Shareholders as at 30 June 2007

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
322	1	100	15,282
634	101	500	198,661
380	501	1,000	293,024
516	1,001	5,000	1,317,485
143	5,001	10,000	1,065,476
57	10,001	15,000	717,736
38	15,001	20,000	670,587
21	20,001	25,000	488,574
15	25,001	30,000	423,437
9	30,001	35,000	294,405
8	35,001	40,000	302,289
9	40,001	45,000	376,756
8	45,001	50,000	395,440
3	50,001	55,000	157,500
8	55,001	60,000	459,671
3	60,001	65,000	190,879
2	65,001	70,000	139,249
4	85,001	90,000	354,137
1	90,001	95,000	91,976
6	95,001	100,000	594,297
1	100,001	105,000	104,544
1	105,001	110,000	105,994
3	110,001	115,000	335,890
2	120,001	125,000	249,825
2	125,001	130,000	256,000
2	135,001	140,000	278,400
4	145,001	150,000	596,000
1	150,001	155,000	152,111
2	155,001	160,000	312,633
1	180,001	185,000	183,022
2	185,001	190,000	373,133
1	195,001	200,000	195,840
1	200,001	205,000	204,000
2	215,001	220,000	433,460
1	220,001	225,000	225,000

Pattern of Holding of Shares

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
2	225,001	230,000	456,998
1	240,001	245,000	243,765
1	245,001	250,000	249,714
2	265,001	270,000	537,013
1	295,001	300,000	300,000
1	345,001	350,000	350,000
1	375,001	380,000	375,402
1	440,001	445,000	440,259
1	450,001	455,000	453,500
1	460,001	465,000	461,012
2	500,001	505,000	1,002,980
1	505,001	510,000	507,840
1	515,001	520,000	517,186
1	535,001	540,000	535,756
1	565,001	570,000	568,826
1	1,090,001	1,095,000	1,094,233
1	1,125,001	1,130,000	1,127,193
1	1,235,001	1,240,000	1,238,660
1	1,300,001	1,305,000	1,300,585
1	1,380,001	1,385,000	1,380,049
1	1,580,001	1,585,000	1,581,185
1	2,330,001	2,335,000	2,330,630
1	2,555,001	2,560,000	2,555,152
1	2,850,001	2,855,000	2,851,364
1	5,130,001	5,135,000	5,131,964
1	6,515,001	6,520,000	6,517,173
2,242			46,661,152

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2007

CATEGORIES OF SHAREHOLDERS		SHARES HELD	PERCENTAGE
a)	**Directors, Chief Executive Officer, Their Spouse and Children**		
	Chief Executive		
	Mr. Ahsan M. Saleem	139,008	0.30
	Directors		
	Mr. Javed Aslam Callea	1,161	0.00
	Mr. Mazhar Karim	124,825	0.27
	Mr. Nasir Shafi	28,458	0.06
	Mr. Zahid Bashir	64,680	0.14
	Syed Mahmood Ehtishamullah	1,651	0.00
	Directors Spouse and Their Childern		
	Mrs. Abida Mazhar	16,498	0.04
	Mrs. Shahnaz A. Saleem	183,022	0.39
	Executives		
	Kh. Muhammad Sharif	35,328	0.08
	Syed Ali Nazir Kazmi	3,532	0.01
		598,163	1.28
b)	**Associated Companies, Undertakings & Related Parties**		
	Crescent Jute Products Limited	139,392	0.30
	Crescent Sugar Mills & Distillery Limited	1,127,193	2.42
	Muhammad Amin Muhammad Bashir Limited	511	0.00
	Shakarganj Mills Limited	2,330,630	4.99
	The Cresent Textile Mills Limited	5,131,964	11.00
	Crescent Leasing Corporation Limited	5,000	0.01
		8,734,690	18.72
c)	**NIT & ICP (Name Wise Detail)**		
	Investment Corporation of Pakistan	643	0.00
	National Bank of Pakistan, Trustee Deptt	6,517,173	13.97
		6,517,816	13.97
d)	**Banks, DFI's, NBFI's**		
	Banks, DFI's, NBFI's	2,022	0.00
	Banks, DFI's, NBFI's (CDC)	1,761,456	3.77
		1,763,478	3.78

Pattern of Holding of Shares

e)	**Insurance Companies**		
	Insurance Companies (CDC)	1,586,185	3.40
		1,586,185	3.40
f)	**Modaraba and Mutual Funds**		
	Modaraba and Mutual Funds	144	0.00
	Modaraba and Mutual Funds (CDC)	2,603,593	5.58
		2,603,737	5.58
g)	**Other Companies**		
	Other Companies	16,875	0.04
	Other Companies (CDC)	5,985,109	12.83
		6,001,984	12.86
h)	**Non Resident**		
	Bankers Trust Company	168	0.00
	Baring Brothers (Guernsey) Limited	40	0.00
	Exchange Trading Limited	13,245	0.03
	H. S. B. C. International Trustee Limited	28	0.00
	Habib Bank AG Zurich, Deira Dubai (CDC)	12,000	0.03
	Hong Kong Bank International Trustee Limited	249	0.00
	Islamic Development Bank	2,851,364	6.11
	Midland Bank Trust Corporation (Jersey) Limited	897	0.00
	Royal Trust Corporation Of Canada	19	0.00
	The Northern Trust Company	540	0.00
		2,878,550	6.17
i)	**General Public**		
	A. Local	909,738	1.95
	A. Local (CDC)	15,066,811	32.29
		15,976,549	34.24
		46,661,152	100.00

Shareholders More Than 10.00%		
The Cresent Textile Mills Limited (CDC)	5,131,964	11.00
National Bank of Pakistan, Trustee Deptt	6,517,173	13.97

Notice of Annual General Meeting

NOTICE is hereby given that the 23rd Annual General Meeting of the shareholders of Crescent Steel and Allied Products Limited (the "Company") will be held on Friday, 31 August 2007 at 3:00 p.m. at Qasr-e-Noor, 9 E-2 Main Boulevard, Gulberg-III, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' and Auditors' reports and Audited Financial Statements for the year ended 30 June 2007.

2. To consider and approve dividend payout and Bonus shares Issuance for the year ended 30 June 2007 as recommended by the Directors of the Company:
    a. Two interim cash dividends at the rate of Re.1.00 each (Rs.2.00) already paid and final dividend of Re. 1.00 making a total cash payout of Rs.3.00 per share (30%).
    b. Bonus shares in proportion of one share for every ten shares held i.e. 10%.

3. To appoint Company's auditors and fix their remuneration.

SPECIAL BUISNESS:

To consider and, if thought fit, to pass the following resolutions as special resolutions, as recommended by the Board of Directors (the "Board") of the Company, for the approval of shareholders with or without modifications, under Section 208 of the Companies Ordinance, 1984:

"It is hereby resolved that:

(1) the approval of the Company be and is hereby accorded to make an investment in the shares of Shakarganj Mills Limited an associated undertaking under section 208 of the Companies Ordinance, 1984, for the total amount upto Rs.265,000,000 (Rupees two hundred sixty five million only) at market price prevailing on the date of puchase of shares."

(2) the Chief Executive Officer of the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to make investments in Shakarganj Mills Limited as aforesaid and to dispose off the shares so acquired as he thinks fit on behalf of the Company and to delegate his powers in this behalf to any other Director or Officer of the Company, as deemed fit."

(3) the Company Secretary be and is hereby authorized to affix the common seal of the Company on any document as and when required."

BY ORDER OF THE BOARD
Mohammad Amin
Company Secretary
Lahore: 31 July 2007

Notes:

1. The Share Transfer Books of the Company will remain closed from 23 August 2007 to 31 August 2007 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of Business on 22 August 2007, will be considered in time to be eligible for payment of Final Dividend and issuance of Bonus to the Transferees.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

4. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

Notice of Annual General Meeting

A. For Attending the Meeting

a. In case of individuals, the account holder and / or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his identity by showing his original NIC or original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Boards' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and / or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.

b. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

c. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original NIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Boards' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

The following statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of Crescent Steel and Allied Products Limited (the "Company") to be held on 31 August 2007:

INVESTMENT IN ASSOCIATED COMPANY:

1. Pursuant to a meeting of the Board of Directors (the "Board") dated 31 July 2007, the Board has proposed to make an investment of upto Rs. 265,000,000 (Rupees two hundred sixty five million only) in shares of Shakarganj Mills Limited ("SML") in view of its highly attractive market price as against its current breakup value of Rs.57.87.

   Shakarganj Mills Limited (SML) is a Public Limited Company registered under the Companies Ordinance, 1984 with Authorized Capital of Rs.1.3 billion divided into 80 million ordinary shares of Rs.10/- each and 50 million preference shares of Rs.10/- each. SML is listed on all the three stock exchanges of Pakistan and its registered office is situated at 4th Floor, Crescent Standard Tower, 10-B E/II, Gulberg-III, Lahore.

   Shakarganj Mills Limited is the largest sugar and co-products manufacturing Company in Pakistan. Through its vertical alignment the Company is also engaged in manufacture and sale of ethanol, alternate energy and particle board. It also manufactures and sells juices, dairy and other products through the subsidiary Company Shakarganj Food Products Limited.

   Shakarganj Mills Limited has inherent strength and good long term prospects of earnings and growth. It has the potential of capital appreciation and good annual return on the investment.

   Investment in Shakarganj will help rebalance the portfolio by increasing investment in the food business.

2. Following information is being submitted as required under SECP Notification No.SRO 865(I)/2000, dated 6 December 2000 in respect of the Companies where investment in an associated company under section 208 of the Companies Ordinance, 1984 is intended to be made:

(i)	Name of the investee companies	Shakarganj Mills Limited
(ii)	Nature, amount and extent of investment. - Limit present - Limit proposed	Equity Investment Rs. 150,000,000 Rs. 415,000,000
(iii)	Average market price of the shares intended to be purchased during preceding six months.	Rs.41.42
(iv)	Break up value of shares intended to be purchased on the basis of last published financial statements.	Rs.57.87 (Nine months ended 30 June 2007)
(v)	Price at which shares will be purchased.	Market price prevailing on the date of puchase
(vi)	Earning per share of the investee company in last three years: 2004 2005 2006 2007	 Rs.5.08 Rs.4.32 Rs.1.25 Rs.22.64 (Nine months ended 30 June 2007)
(vii)	Source of funds from where shares will be purchased.	Internally generated funds
(viii)	Period for which investment will be made.	Long-term
(ix)	Purpose of investment.	Balanced diversification
(x)	Benefits likely to accrue to the Company and the shareholders from the proposed investments.	1. There will be regular inflow of dividends on this investment which will increase profitability of the Company. 2. Over a period of time, the market value of this investment will appreciate that will enhance shareholders value of investment.

3. Hence, the Board has unanimously approved the proposition and decided to place before the shareholders for consideration and their approval at the Annual General Meeting to be held on 31 August 2007.

4. In the EOGM dated 27 December 2006, shareholders approved an additional investment of Rs.15.1 million in the Crescent Textile Mills Limited. However, to date no investment has been made against the approval since last EOGM referred above due to recession in the textile industry in Pakistan.

   There has been no major change in the financial position of the Crescent Textile Mills Limited since the date of last resolution on 27 December 2006.

5. The Company is fully authorized by its Memorandum of Association to make such investments.

The Directors of the Company have no interest in the above said investment except that its Chief Executive holds the similar position in SML and he has no other interest except and to the extent of his shareholding in SML.

The Memorandum and Articles of Association of all Investee Companies are kept at Registered Office of the Company, 4th Floor, Crescent Standard Tower, 10-B E/II, Gulberg-III, Lahore, and can be inspected from 10:00 a.m. to 11:30 a.m. on any working day up to 30 August 2007.

Crescent Steel &
Allied Products Ltd.

Form of Proxy

Folio No. ______________ CDC Participant's Identity Card No ________________ A/C. No. _________________

I / We ____ of _____________________________ a member / members of Crescent Steel & Allied Products Limited, and holder of _______________________________________ shares do hereby appoint ______________________________________ of ___________________________________ or failing him / her ____ of ________________________________ who is also a member of the Company, vide Registered Folio No.______________________________________ as my / our proxy to attend, speak and vote for me / us and on my / our behalf at the 23rd Annual General Meeting of the Company to be held on Friday, 31 August 2007 at 3:00 p.m. at Qasr-e-Noor, 9E-2 Main Boulvard, Gulberg-III, Lahore and at any adjournment thereof.

As witness my / our hand this___________________________ day of ___________________________2007.

Signature on
Five-Rupees
Revenue Stamp

The signature should agree
with the specimen registered
with the Company.

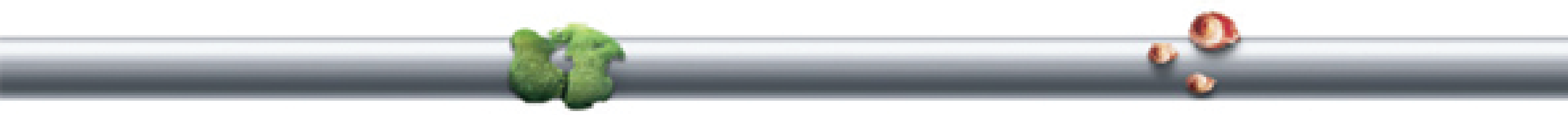
Dated:

Place:

Notes:

1. The Proxy Form should be deposited at our Registered Office, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore, as soon as possible but not less than 48 hours before the time of holding the meeting and in default, the Proxy Form will not be treated as valid.

2. No person shall act as proxy unless he / she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.



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